The Striking Contrasts in Today's Market ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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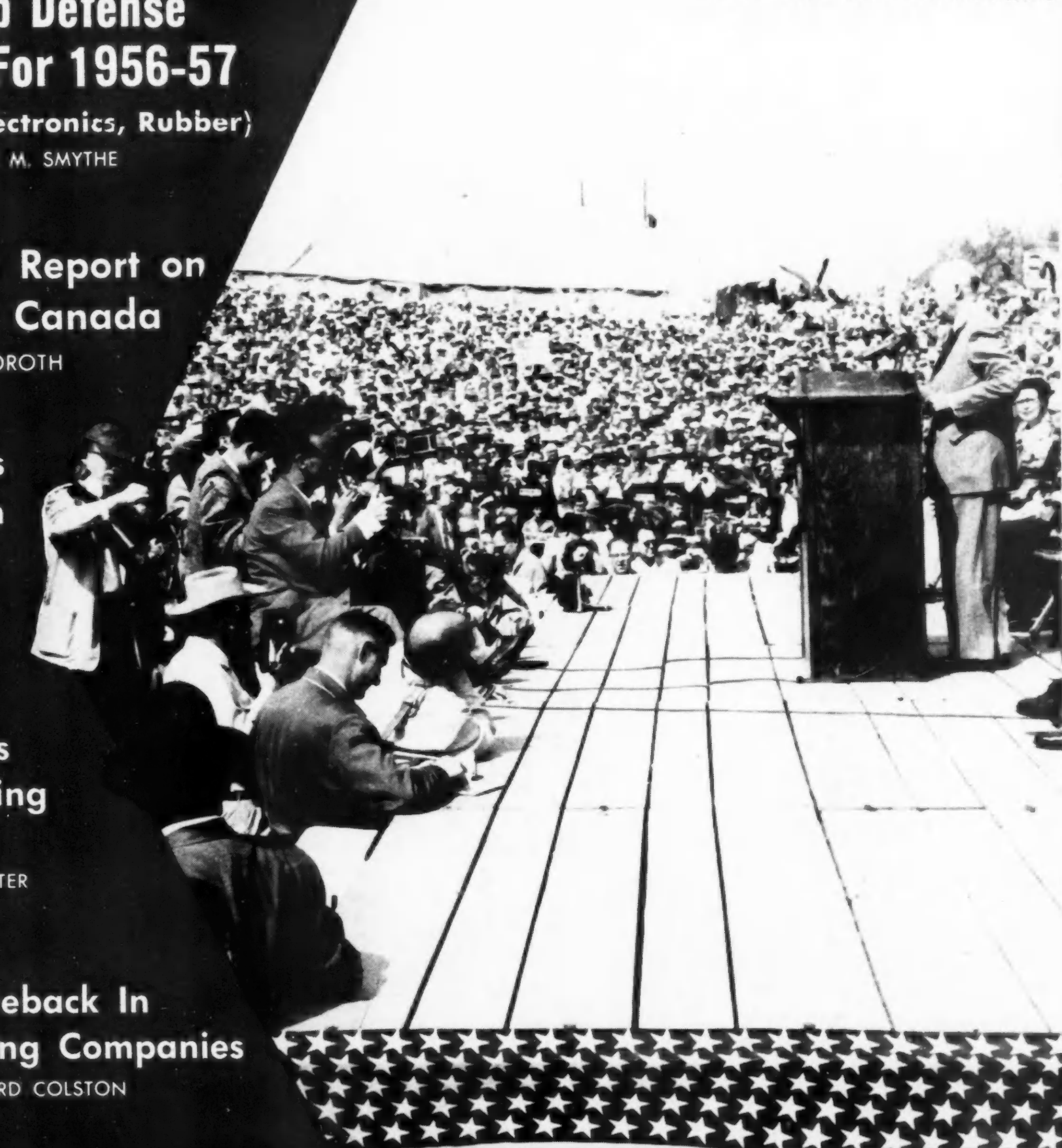

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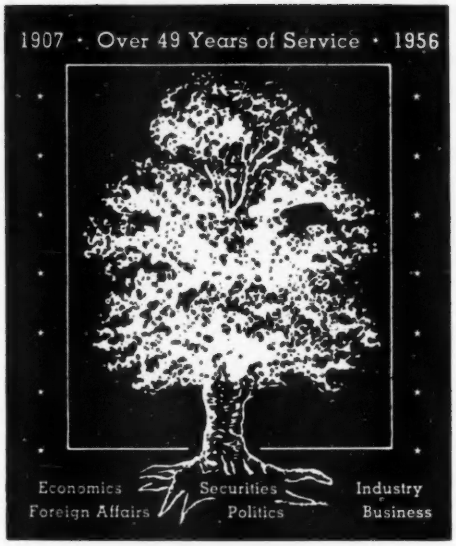


The Trend of Events

THE SUEZ CANAL . . . It is psychologically true that when strong-minded men are adamant their breaking point is near. Realities then take over.

But will such be the case with Egypt's Col. Nasser, who refuses to yield international control to the users of the canal as an affront to his dignity, although he did not hesitate to humiliate and mock the leadership in Britain and France? And it was this affront that caused Britain and France to erupt in deep anger, bringing on a situation that obliges these two great nations to make a definite stand against him.

There is no question that Nasser has made personal enemies, which he can ill afford, and it is because of the emotional character of this situation that Mr. Dulles has been trying to smooth the troubled waters. But for some reason we cannot fathom, his statements have been so clumsy and inept as to create a false impression of the position of the United States in relation to our friends in Britain and France. The British press is expressing bitter resentment and questioning the integrity of the United States on the report that there is a deal going on between American oil companies and Col. Nasser of Egypt to underwrite the maintenance and proper operation of the canal that links two seas.

It is said that the plan is to set up a consortium similar to the one used in the solution of the Iranian nationalization, but this time to replace Britain with American companies—and they call it the cruelest betrayal of the alliance. It is unfortunate that the oil companies should be brought into this situation, designed to disunite the two countries, for the British and American oil companies have always had and will continue to have a close working agreement.

And the French are just as bitter, with the president of the French Assembly making a sharp attack on the U. S. policy in Suez, so great is the frustration and anger—because the Suez situation is not merely a matter of a waterway, but means economic life or death to Europe.

There is no question either that the United States is fully aware of the great danger inherent in the situation, because we clearly see Suez as a matter of international trust and faith between nations, and we cannot possibly view the prospect of a triumph for Nasser with equanimity.

THE TITO MYSTERY . . . It is clear that there is a great split among the people of the Soviet Union on the issue of Stalinism. It likewise is clear that Marshal Tito of Yugoslavia has stood for the nationalistic brand of Communism, which resulted in a bitter enmity between him and the late Marshal Stalin.

It seems doubtful that Tito, who has successfully withstood the monolithic type of communism, will now surrender—and that may account for the long days of conference, some 16 days all told, in which Tito was evidently trying to convince the others that relaxation of the rigid control over satellite states would inevitably lead to disintegration of the Soviet State—that the sounder way was to develop a union composed of states with a commonwealth status.

Reports from Moscow in-

We call the attention of the reader to our newly-devised Trend Forecaster, which appears as a regular feature of the Business Analyst. This new department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss it!

Business, Financial *and* Investment Counsellors::1907—*"Over Forty-nine Years of Service"*—1956

dicate that Tito has lost out—for the press is now reflecting the opinion held in high places that the campaign of downgrading Stalin and liberalizing the Communist regimes in the satellite states has gone too far.

On the other hand, the Yugoslav press is playing up the action of the Hungarian Communist Party to give a funeral with honors to Laszlo Rajk and other Hungarian Red leaders executed as Titoists during the Stalin-Tito feud.

Only future events will tell how the wind blows, but as the matter stands it would seem that Khrushchev, et al, are facing a stiff fight from those who believe that Stalin's accomplishments in welding together a great empire should assure him a respected place in Russian history. The recent unrest in Poland and Hungary, and the East Germany uprising some time ago, indicate a softer policy to be dangerous for the Soviet regime.

CLUE TO FOURTH QUARTER . . . The railroads may no longer be the best barometer of business conditions, yet the carriers do not prosper in lean times, especially in an age when over-the-road trucks and freight airlines have taken a sizable chunk out of their domain. Hence, the forecast of shippers that revenue freight carloadings of major commodities in this final quarter of the year will climb on the order of 3.7% is encouraging news, indeed. Their forecast is based on estimates of 13 regional groupings, totaling 26,000 shippers and receivers of goods throughout the country. Their estimates account for about 85% of all freight carloadings.

If their fourth-quarter forecast is borne out, total carloadings for all 1956 will top those of 1953 (a boom year), despite the setback caused by the five-week-long steel strike. The total for 1955 was less than 1% under the 1953 total. Loadings thus far this year are showing a nominal gain from the year-ago total.

All that remains, it would seem, is to overcome the steel-strike setback. It will be recalled that after the stoppage in that industry got underway, loadings fell behind the year-ago pace. By mid-September the pattern of improving the 1955 showing was resumed. Barring unforseen developments, a new peak should be established.

FOREIGN AID UNDER STUDY . . . Ever since the end of World War II this country has been engaged in an annual series of foreign-aid programs that have entailed multi-billion-dollar outlays per year. While it would be somewhat exaggerated to call the entire program wasteful, a good deal of the money spent has not accomplished its purpose. After 10 years we are confronted by renewed pleas for more help. The end is not in sight.

This is, indeed, a dim prospect for the American taxpayer, who also could use a bit of help, staggering as he is under an astronomical national debt and levies that are plenty painful.

The growing annoyance of the public and legislators at this endless (and largely thankless) task of helping people abroad has prompted President Eisenhower to appoint Benjamin F. Fairless, onetime president of United States Steel Corp., to survey the situation and make a report before the next Congress convenes. The Senate moved in advance of the President, naming its own committee to conduct a similar study. These and other studies will come under the scrutiny of Clarence Randall, another former steel executive.

There is little doubt that opposition to lavish giveaways is growing. The President is fully aware of public feelings on this issue. From here on in, the Administration will have to go to greater lengths to justify foreign aid. The considerable recovery achieved by most foreign countries leads many to wonder precisely how much need actually exists.

We can take some comfort, meanwhile, from the thought that henceforth the objectives and methods will be sifted by such keen business leaders as Mr. Fairless and Mr. Randall.

WHAT TO DO WITH TIME SAVED . . . Our food industry now does an annual business of some $70 billion, about double the volume of a decade ago. Plainly, the American people are eating better than ever. Of course, they are not spending twice as much for food, as the aforementioned figures would indicate. Prices have risen and there are some 30 million more Americans taking their place at the table.

What disturbs us is the great stress placed on "convenience" foods. Vegetables are frozen for immediate use, orange juice is concentrated, coffee is instant and desserts are served in a jiffy.

While we yield to no one in our dedication to the cause of liberating the little woman from kitchen drugeries, we have yet to taste a cup of instant coffee that could compare favorably with the fresh-ground variety. Much the same observation might be made of the other "quickie" foods.

To be sure, the convenience-food vogue saves the lady of the household many minutes each day. Which reminds us of the American soldier in World War II who bragged in the company of Australians how Yanks saved minutes doing this and minutes doing that. This prompted an unimpressed Aussie to ask: "Tell me, Yank—what do your people do with all those minutes they save?".

PROGRESS THROUGH RESEARCH . . . The revolutionary changes in American industry must be traced to the research laboratory, which has spawned whole categories of new products and new industries. Our corporations spend billions of dollars annually on basic and applied research. It takes great courage to proceed with undertakings in such areas as the chemical industry, where the rule of thumb is 10 years between test tube and tank car. And, of course, much of the labor goes for naught.

We have been prompted to these reflections by the opening of a seventh major research center by Union Carbide. This new center will concentrate on chemical and solid state physics.

The approximately $43 million spent yearly for research by Union Carbide has borne fruit, as attested by the fact that in 1955 this company derived about one-third of its dollar income from products that were not commercially available to the company 15 years ago.

As I See It!

By JOHN H. LIND

HOPE FOR UNITED STATES OF EUROPE MATERIALIZING

European unity is an elusive bird. On the military and political level it is all but non-existent, organizations like the Western European Union and the Council of Europe notwithstanding. On the economic level it made an excellent beginning in 1948 when the 16-member Organization for European Economic Organization (OEEC) was established to administer Marshall Plan aid. This was followed up by the European Payments Union and, in 1951, by the six-member European Coal and Steel Community, Europe's first venture in regional market integration. All these organizations are still alive and functioning but no further steps to unify Europe have been taken in the last six years. In fact, on the military level the receding threat of a shooting war with the Soviet Union has caused the rejection of the American-sponsored European Defense Community and a growing disinterest in combined strategic planning.

But in the last few weeks something has happened which might further the cause of European unity more than its most sanguine proponents had dared to hope. It is the sudden realization that Communism is not the only threat against which Europe must unite. It was Col. Nasser who brought this point home to the governments of Britain, France, Germany, Italy, etc. Europe is the world's biggest trading area, next to the United States. Yet a single dictator of a small nation could throw its economy into a dither just by moving into a position where he could cut off Europe's oil flow. Obviously, a united Europe would have the political and economic power to ward off such a threat. Its world importance as a supply source and as a market would be so overriding that no nation would want to antagonize it.

It is against this background that we must view the recent unity appeals of Germany's Chancellor Adenauer, French Premier Mollet, Italian Foreign Minister Martino and Harold Macmillan, Britain's Chancellor of the Exchequer. It was Adenauer who touched off the spark with a series of speeches urging the conversion of the lame Western European Union, which includes Britain, into a working confederation with common defense and foreign policies. But it was Mr. Macmillan who kindled it into a bright flame with his announcement that Britain and the Commonweath nations would be willing to enter into a closer economic relationship with continental Western Europe by establishing a vast free trade area. This free trade area idea is not of the same scope as the Common Market concept for which Germany, France, Italy and the three Benelux countries are aiming. But it is actually more significant because it was Britain's reluctance to join in any sort of economic partnership with continental Europe which up to now had been the major stumbling bloc to greater effective unity.

With Apologies to Loring—Providence Evening News

Better Late Than Never

Britain's past hesitation to any formal economic tie-up with continental Europe was based on a well-founded dilemma. On the one hand, she is the center of a world-wide trade zone, interconnected by a system of Imperial Preference tariffs and a common currency — sterling — for which Britain acts as the central banker. This makes her obligations and interests different from those of the more regionally oriented countries of the Continent. On the other hand, her trade with Continental Europe is growing fast and accounts now for 25 percent of her total foreign trade. Refusing an economic alliance with Europe's major trading nations could well mean being nosed out of this area by continental competitors. It seems the dilemma has now been solved. Britain has received the full approval of her Commonwealth partners to join in a free trade zone with Europe and there are indications that some of the other Commonwealth countries might even do the same.

The United States' position in all this is somewhat peculiar. We are the greatest advocates of European unity and, in fact, have spent several billion dollars to help bring it up to its present modest level. We are therefore (*Please turn to page* 112)

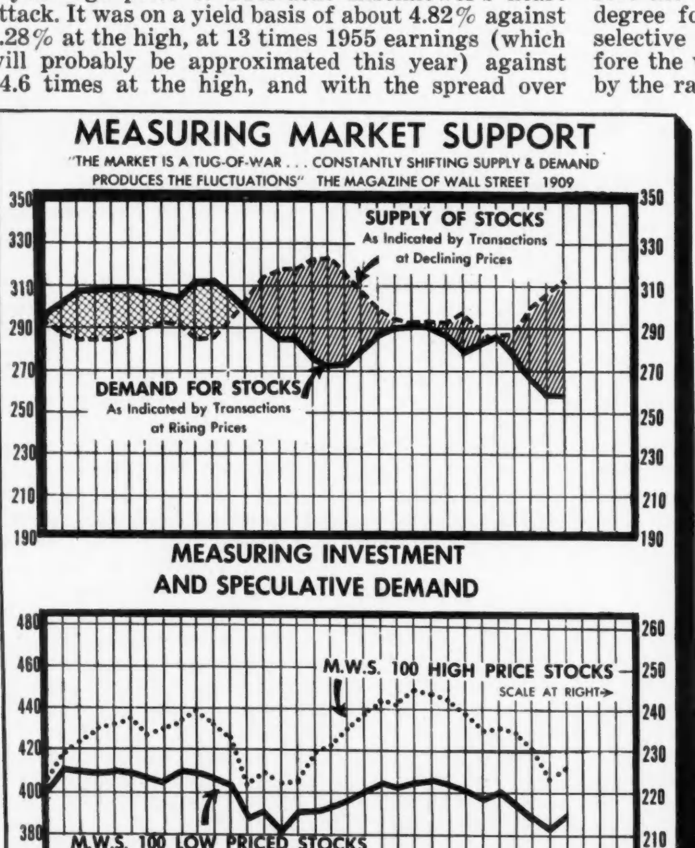
The Striking Contrasts In Today's Market

The market now has had a substantial rally. Money rates and a rather drab over-all profit outlook remain on the restrictive side. The election might spur some further recovery; but, if disappointing, it probably would induce renewed easing. We continue to advise a discriminating, conservative investment policy, including maintenance of adequate reserves for later employment.

BY A. T. MILLER

The persistent retreat in stock prices from the best summer levels was sharply extended into the initial (October 1) trading session last week, when it reached an apparent climax, with trading volume, even though moderate by older standards, at the highest mark in some days. At the lowest intra-day level, the daily industrial average was down nearly 11.4% from its early-August bull-market high and was some 24 points under the best level reached over a year ago prior to President Eisenhower's heart attack. It was on a yield basis of about 4.82% against 4.28% at the high, at 13 times 1955 earnings (which will probably be approximated this year) against 14.6 times at the high, and with the spread over industrial bond yield about 35%, compared with less than 28% at the high.

At the same low, rails were off some 13% from their July recovery peak and nearly 18% from the bull-market high attained last May; while utilities were down over 9% from their August bull-market top. The market having thus made substantial allowance for higher money rates, election uncertainty and 1957 business uncertainty, a rally started before the close and was extended in fairly explosive degree for a time, reflecting abatement in selling, selective demand and short-covering. It slowed before the week-end, with investors, although cheered by the rally, still cautious and not inclined to reach too far for stocks in this market.



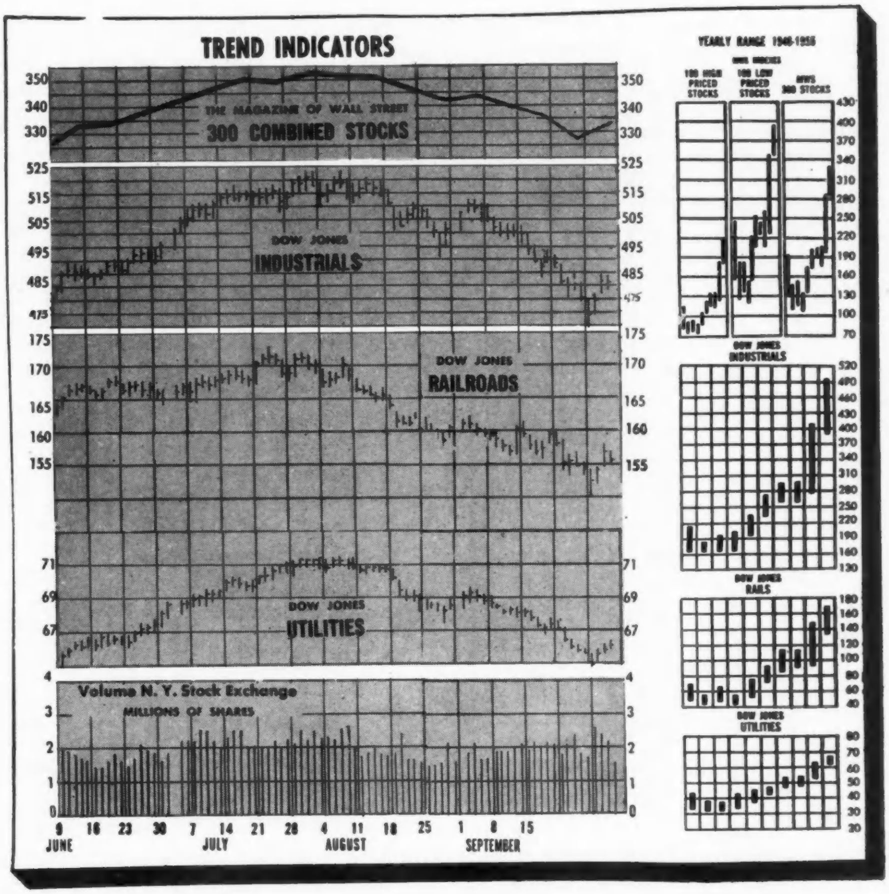
Blue-Chip Market

The large prior advance centered heavily in Blue-Chip and special-situation stocks, without development of speculative excess in low-priced "cats and dogs" or in over-all buying on margin. Hence, the Blue Chips proved to be actually more vulnerable at the tops than the general run of speculative industrials. The sell-off to the October 1 low—the fourth substantial one in the past 12 months or so—was principally a correction of over-valuation of "good stocks" and an adjustment to higher money rates, with election and other uncertainties contributory factors; and with the market deprived of the earier stimulus of dynamic over-all rise in corporate earnings and dividends.

From a technical viewpoint, it is encouraging that the industrial and utility averages met effective support without violation of the May reaction lows, although they were closely approximated before the rebound developed. There may be a further test later on, hinging on political and business developments; but, as it stands now, the noteworthy point is that the industrial list has not followed rails in establishment of a presumptive bear-market pattern. As long as this is so, sentiment on rails will not get too gloomy and they have better rally chances; especially since hopes now are held that the ICC will grant a portion of the recently

requested boost in freight rates, with action possible by late January or early February.

Prior to last week's performance, it was possible to say that, at best, the market might maintain a trading-range pattern, provided industrials met support around or above the May low. It is now reasonable to say that nothing *worse* than a trading-range pattern is in sight, with the October 1 lows likely to hold at least over the near term and possibly for some time. It need hardly be said that the large advance in stock prices in recent years was spurred in very considerable measure by "Eisenhower confidence," aside from strong gains in corporate profits and dividends last year. Should the election result in defeat for the President, we would allow for a renewed market decline, possibly, if not probably, breaking the May lows. If hopes for his re-election rise and are confirmed, the present rally should develop into at least an intermediate recovery, enduring well into November or later. Possibilities for more than a trading-swing recovery probably hinge on late 1956 business developments as clues to 1957 potentials and on related money-market developments under Federal Reserve credit policies.



Markets of the Past

Contrary to popular belief, the stock market—which is merely the consensus of fallible human judgment—is not prophetic. It cannot see very far around any corner. Up to the last points of 1929 advance in the averages, it was looking hopefully ahead, whereas we soon got the start of the biggest bear market and the deepest depression. It certainly was not "forecasting" five years of economic revival and New Deal inflation in the spring of 1932. But by the forepart of 1937 it had become quite hopeful—and we soon got the painful, though not unduly protracted, 1937-1938 bear market and depression. It had a little boomlet in the late summer and early autumn of 1939 on the mistaken theory that the United States could stay out of World War II and profit by sale of arms and supplies to the British and French. Another bear market followed, discounting U. S. involvement and wholly unrelated to the business outlook. Following long advance, there was an over-speculative position by 1946 and concern about a possible "post-war depression." We got a moderate, but far from painless, bear market—but no depression. Before the votes were counted in 1948 the market was cocksure that Republican Dewey would easily be elected President—and was wrong. By June of 1949, with a minor business recession about over, confidence was at low ebb—shortly before the start of what proved to be one of the biggest and longest bull markets.

The market has rarely topped out in peacetime, and declined importantly, much, if any, ahead of visible and definite deterioration in general business conditions. In 1929, industrial production reached its peak level by July, while the market did not top until September. The March, 1937, market high came two months ahead of the production top; but stock prices did not "fall out of bed" until a business downtrend became unmistakable by early autumn. The bulk of the 1946 market decline was concentrated in a few weeks of August and September—discounting what? The production index reached its post-war *low* in February of that year, subsequently trending up while the market topped in May. Industrial and utility earnings showed marked 1946 gains. Rail earnings were down for the full year; but reached their low point in the second quarter, while rail stocks topped near the end of that quarter, and profits rose sharply by the third quarter and more in the fourth quarter, during both of which rails were in a strong downtrend. At this time of 1946, sentiment was gloomy as regards 1947 potentials. It turned out to be a year of higher production, of gain in over-all industrial and rail earnings, of

moderately lower utility earnings—and of restricted trading-range fluctuation and indecision in the stock market.

Similarities and Differences

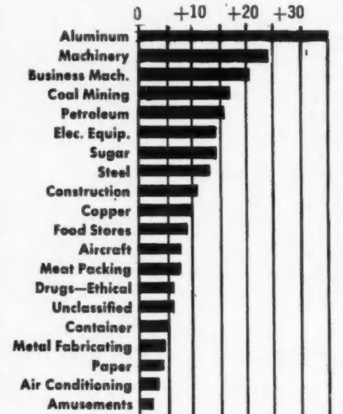
Comparing the present situation with that around and shortly before the 1946 bull-market high, there are some similarities but more differences. At the 1946 high, the Dow industrial average was at 15.6 times earnings, which compares with 14.6 at its 1956 high. Not much difference. At the 1946 high the yield was 3.53% and its spread over high-grade corporate bond yield 17.3%, against yield of 4.28% and a spread of 27.7% over bond yield at the 1956 high. The differences is moderate. Judged by price-earnings ratios and yield spreads, the average was at levels of over-valuation at both the 1946 and 1956 highs, even if somewhat less so in the latter instance than in the former.

Dividends depend on earnings; and the market, which is still at a generally high level even after the net markdown to date, certainly has limited upside potentials at best without rising earnings and dividends. Through last year it was easy to rationalize prevailing price-earnings ratios and yields by projecting further rise in profits and payments to stockholders. That is now "out the window." Despite some exceptions, notably in steel and machinery, price boosts (in the absence of strong further gains in sales) have no more than partially compensated for higher operating costs throughout business. Total pre-tax profits rose from an annual rate of $39.7 billion in the first quarter of 1955 to $46.4 billion in the final quarter; but dipped to $43.7 billion in the 1956 first quarter and to $43.5 billion (preliminary report) in the second quarter. Aggregate net earnings after taxes reached a peak rate of $23 billion in last year's final quarter, sagging to $21.5 billion in this year's second quarter.

Both totals were undoubtedly lower in the third quarter. They will be improved in the present quarter, but down from a year ago; and full-year profits will do well to approximate last year's. Moreover, at best, there can hardly be any general investment expectation now of significant overall 1957 improvement, if any; whereas some further shrinkage is conceivable even under fairly good business conditions; and a considerable shrinkage, should even mild recession develop after the first quarter. As heretofore noted, total profits moved ahead through most of the 1946 market adjustment. Sentiment was bullish, even though badly mistaken, on future profits at the 1929 and 1937 market tops, whereas it now is cautious or doubtful about profits for the foreseeable future.

Total dividends ran 15% above a year ago in the eight months through August, but the comparison is less favorable for representative big companies included in the Dow industrial average and similar measures of stock prices. In the 1956 first half, dividends on "the Dow" gained slightly less than 8.6% from a year ago. Moreover, the big surge in 1955 dividends came in the final quarter and mainly in November-December. It will not be repeated this year, in view of the earnings trend heretofore cited, plus capital needs and credit stringency. Thus, the *current rate* of dividends on the industrial average is not significantly above that reached last December, and little improvement can be expected by the year-end.

1956 Market Action Of MWS Stock Groups
Percentage Changes
Dec. 30, 1955-Sept. 21, 1956



Unions, Wages and Inflation

Most economists agree that, regardless of official monetary policy, the wage policies of national unions virtually guarantee more long-run price inflation at perhaps an over-all average of something like 2% to 3% a year. This is an argument for maintaining long-term investment positions—established well under present market levels in most cases—in stocks of companies in a position at least to hold their own with inflation. But it is not an argument for buying at these levels. Indeed, it is adverse for many stocks, since profits are being squeezed by higher costs. There has been no correlation between market cycles and inflation, whether the latter is measured by commodity price rises or in classic terms of relative rate of increase in the money supply, which has been kept under good control in the present instance.

Is it possible to have a bear market in an inflationary environment? Logic would say it seems unlikely, but history says it is not impossible. While the bulk of the 1946 bear market was concentrated in a short period, completion from top to bottom took about 12 months for rails and the same for industrials in that their spring, 1947, low was a double bottom closely duplicating the autumn, 1946, low. Over the entire period, with the industrial average experiencing a decline of 24.3% and rails a fall of about 40%, the cost-of-living index rose a sensational 18.5%, the wholesale commodity index nearly 30%.

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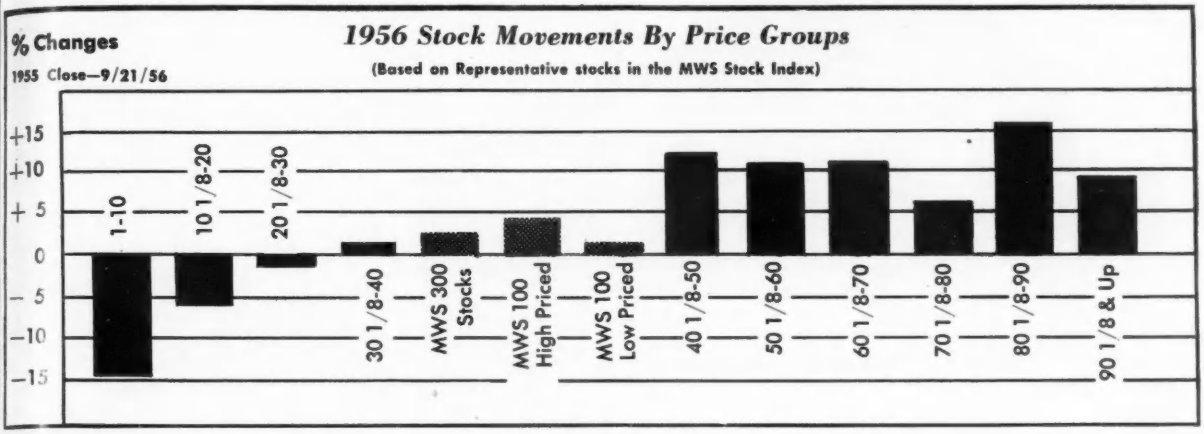

Table above shows percentage changes in stocks by price groups. Period covered is from the close at the end of 1955 through September 21, 1956.

This Year's Price Changes In Representative Stocks In the MWS Index

From 1955 Close Through 9/21/56.

	9/21/56 Close	Percent Change from 1955 Close
Price Range—1-10		
American Cable	5⅞	− 6%
American Motors	6½	−25
Benguet Cons	1⅞	− 4
Emerson Radio	8⅛	−36
General Baking	9½	NC
Lehigh Valley Coal	2⅛	+ 6
Pacific Tin	6⅞	− 5
Republic Pictures	6½	−19
Sunshine Mining	8¼	−17
United Industries	6⅛	−14
United Park City	1⅞	−40
Average		−14.5%
Price Range—10⅛-20		
American Radiator	19⅛	−19
Braniff Airways	10¾	−19
Budd Co.	19⅛	− 9
Calumet & Hecla	13¾	+ 7
Cetainteed	10¾	+26
Comml Solvents	17⅞	−15
Crown Cork	14¼	−19
Houdaille Industries	16	+14
Lehigh Coal & Nav.	14⅞	+ 1
Minneapolis Moline	14¾	−41
Oliver Corp.	12⅛	−26
Northwest Airlines	15½	−18
Pan Amer. World Air.	18¼	+ 6
Spiegel	14¼	−13
Walworth	18¾	+36
Average		− 6.0%
Price Range—20⅛-30		
Amer. Broadc. Para.	27	NC
American Airlines	22¾	− 5
Adams Express	22½	−10
Consolidated Copper	20½	+ 5
Continental Baking	29⅛	−19
Deere & Co.	26½	−24
Gimbel Bros.	27¾	+ 7
Loew s	20¾	+ 8
Phila. & Reading Coal	25½	+34
Rockwell Spring	28¾	−10
Twent. Cent. Fox	24½	− 2
Average		− 1.5%
Price Range 30⅛-40		
American Bakeries	30¾	−19
American Gas & Elec.	30⅛	+15
Assoc. Dry Goods	30⅜	−13
Curtiss-Wright	39	+35
Crane Co.	36	− 3
Electric Auto Lite	37⅜	− 9
Federated Dept. Stores	32	− 9
Flintkote	35½	− 7
Gair (Robert)	35¾	+23%
Int. Harvester	35	− 4
Internat. Tel. & Tel.	32¾	+ 9
Macy, R. H.	30½	− 3
Martin, Glenn L.	39⅝	+ 4
Mack Truck	38⅜	+39
National Biscuit	36	− 8
National Dairy	39	− 2
Paramount Pictures	31	−16
Stewart Warner	32¾	− 9
Average		+ 1.3%
Price Range—40⅛-50		
American Can		−11
Air Reduction		+13
Borg Warner		+10
Burroughs Corp.	42⅛	+36
Continental Can	47¾	+ 9
Eastern Airlines	49	− 2
Electric Storage Battery	41⅛	+28
General Motors	47⅜	+ 3
North Amer. Aviation	42⅝	− 4
Otis Elevator	45	+17
Parke Davis	46⅜	+13
Pittsburgh Cons. Coal	42	+25
St. Regis Paper	49⅜	+14
Vanadium	46¼	+ 5
White Motor	49	+26
Average		+12.1%
Price Range—50⅛-60		
Allegheny Ludlum Steel	53⅝	+67
Allied Stores	49⅝	−12
American Smelting	52¼	+ 4
Bendix Aviation	56	− 3
Boeing Airplane	54⅜	+36
Borden Co.	58½	− 4
Carrier Corp.	56¾	+ 1
Crown Zellerbach	54⅝	− 8
Cutler Hammer	55⅞	+32
General Electric	58⅝	+ 1
Johns Manville	53	+20
Lehman Corp.	52	+18
Lockheed Aircraft	50½	− 4
Miami Copper	55⅝	+11
National Gypsum	51⅞	+ 1
Phillips Pet	51¼	+25
Schering Corp.	52	− 4
Standard Oil N. J.	54⅞	+ 9
Standard Oil Ohio	52⅞	+36
Westinghouse Elec.	55⅜	− 7
Worthington Corp.	55	+14
Average		+11.1%
Price Range—60⅛-70		
American Cyanamid	68⅝	+ 1%
Armco Steel	64⅝	+18
Chesapeake & Ohio	63	+17
Cities Service	63⅞	+10
Inspiration Copper	60½	+ 5
Kaiser Aluminum	62⅛	+51
Owens Illinois Glass	67½	NC
Phelps Dodge	65	+12
Pullman	65⅝	−11
Safeway Stores	63½	+11
Sinclair Oil	61	+ 5
U. S. Steel	67¾	+17
Average		+11.3%
Price Range—70⅛-80		
Chrysler	74¼	−14
Climax Molybdenum	72¼	+ 6
General Dynamics	74¾	+12
Goodrich	72⅝	−17
Goodyear	74½	+15
National Steel	71⅜	− 1
Square D	75	+44
United Aircraft	77¼	+ 8
Average		+ 6.6%
Price Range 80⅛-90		
Anaconda	82⅛	+16
Caterpillar Tractor	88⅝	+48
Container	90	+20
Douglas Air	89	− 1
Eastman Kodak	89½	+11
Inland Steel	88	+ 4
Lone Star Cement	90	+27
Kansas City Southern	80½	+ 3
Average		+16.0%
Price Range—90⅛ and Up		
Allied Chemical	99¼	−14
Aluminum Ltd.	131⅝	+22
Alcoa	110	+25
American Tel. & Tel.	172	NC
Bethlehem Steel	164½	NC
Continental Oil	115¼	+15
Du Pont	112¾	−14
Gulf Oil	115¾	+16
International Nickel	105⅜	+28
International Paper	117	+ 3
Kennecott Copper	135⅛	+15
Royal Dutch	107⅜	+26
Union Carbide	114	+ 4
Average		+ 9.7%

GIMBELS, Westchester

JORDAN MARSH, Miami,

BLOOMINGDALE'S, Stamford, Connecticut

New Techniques in Distribution REVOLUTIONIZE RETAILING

By JOSEPH C. POTTER

The fellows who mind the Big Stores have developed a new aggressiveness, born of long years of adversity that seem to have sharpened their wits and conditioned them to live with their problems. A fresh breeze is sweeping through our retail emporia, touching everything from the cheap sundries in the bargain basement to the big-ticket items on the top floor.

This confidence that borders almost on belligerence comes of the turning point in the struggle against pesky discount houses, the successful coping with the trend to Suburbia, the progressive devices brought forward to meet rising costs and the ability to share in the all-around national prosperity.

Item: Discount houses are here to stay, but the department stores and other old-line retailers no longer look to the Federal and state authorities for a Fair Trade bludgeon to fend off competition. The cry now is "Fight fire with fire!"

Item: The trek of the Big Stores to the suburbs, which got underway after World War II, has assumed the aspects of a pell-mell migration as the merchant princes have gone to the customers. This multi-billion-dollar undertaking, the most expensive moving job in history, has spawned 1,100 planned shopping centers and put another 2,200 on the drawing boards.

Item: Labor and other costs incidental to retail operations are on the rise, with extension of the minimum-wage regulation to this field a strong likelihood. The stores have pared costs considerably by going over to self-service operations, getting their customers to "trade up," pooling delivery of purchases and up-dating office routines.

Item: Retail business is getting its share of the national prosperity, reflected in the record sales registered in each section of the country. The peaks registered in the first nine months of this year are expected to carry through the final quarter, with expectations high for another banner Christmas season.

Assaying the outlook for the great merchandising establishments of the nation entails such variables as an enormous product mix (sales of television sets lagged, barbecue equipment was in strong demand and air-conditioners yielded little profit), the weather (unseasonable weather in the spring and summer) and the competition of discount houses (negligible in some places, severe in large metropolitan centers). These are but a few of the conditions that are subject to almost daily change in the mercantile business.

Another measure of the task may be gleaned from the fact that the mammoth mercantiles must cope with more competition than exists in any other line of endeavor. After all, their business is duplicated in one way or another by nearly 2 million retailers across the land—about one for 86 persons in the population.

Opportunities Outweigh Problems

While such figures may appear forbidding, it is a fact that the volume of patronage has swelled at a sufficiently rapid rate to make retailing a highly profitable business for the strongly-entrenched stores. Retail stores of the country did a business of $48 billion in boom 1929, sank to a low of $24 billion in depression 1933 and are doing a $194 billion dollar trade in 1956.

That the Big Stores ooze confidence in the future well-being of their business is attested by their readiness to invest their own money in modernization, expansion and relocation programs. While the press is replete with stories of manufacturers, utility companies and railroads seeking financing, the stores, by and large, are undertaking improvements on their own.

Outbreak of Stamp Fever

This expansive-mindedness is all the more remarkable considering that the retailing trade is badly scrambled. It is an age in which the food supermarket has come into its own, tending more and more to become a junior department store. Such food stores now sell appliances, dry goods, cosmetics and drugs, toys and giftware along with many another mainstay of the old-line variety and department store. Such old five-and-dime stores at W. T. Grant and F. W. Woolworth have moved on to the junior department store class. Quite a few variety stores that failed to keep abreast of this revolution in retailing have lost important ground—and stockholders have lost important dividends.

Scarcely revolutionary, but plenty painful, to the Big Stores is the recrudescent stamp fever. Merchants pay on the order of 2% to 3% of their gross sales for the stamps. These, for the most part, are food stores, although gasoline stations, drugstores and garment-cleaning services, among others, have gotten into the act. These stamps are given to customers, who redeem them for appliances, giftware, dry goods and sporting goods. The consumer who comes by a cigarette-lighter or pop-up toaster in this fashion is lost to the stores that deal in such wares. And trading stamps have become big business, indeed, with every promise of becoming much bigger. They are swiftly approaching the status of a billion-dollar-a-year giveaway and a large-size headache to the stores.

If the department stores are not as openly antagonistic about mushrooming stamp fever as they once were about price-cutters, it may be because they used the stamp come-on themselves a generation ago.

Consumer Credit at Peak

Yet another aspect of current business trends that has them on the anxious seat is the tight-money situation. Consumer credit already stands at a record $37 billion plus and, while no one has seriously suggested a return to the wartime type of curbs on personal credit, there is no little alarm at its continuing upsurge.

While variety stores, such as S. H. Kress, Woolworth and Grant, do an all-cash business, it is a fact that 58% of the business done by the department-store and mail-order type of establishment is on credit. This, of course, includes charge accounts. While sales over-all have been in an upswing this year, cash sales have shown the smallest advance. Charge accounts have fared considerably better and instalment sales have outpaced all other types.

Merchants, naturally, are hostile to any suggestion that the individual has proven unable to police his own credit and they cite figures to show that credit delinquencies are a miniscule fraction of 1%, or just about nil.

In any case, there is scant prospect, barring war, of a return to Federal curbs on instalment buying. At the same time there is no tendency on the part of store executives to overlook the threat to current high-level buying growing out of the tight-money policy directed at the business community. After all,

RETAIL TRADE

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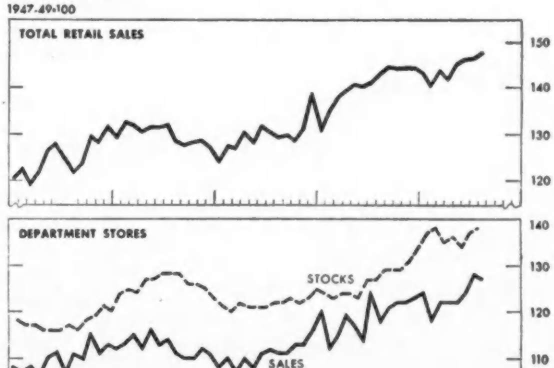
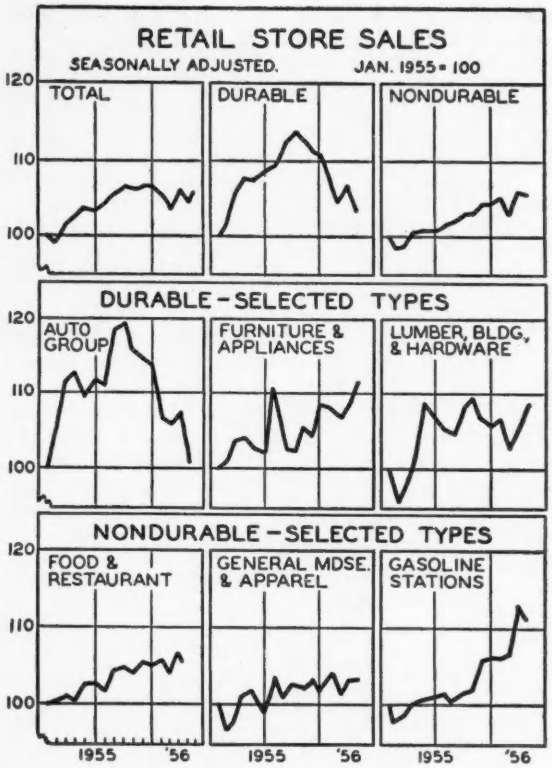


stores produce nothing—they must depend on the wage-earner and salaried folk who hold good-paying jobs in burgeoning industries for patronage. Expansion plans cancelled or deferred do not create the wherewithal that makes the prime customer.

Nor does the tight-money policy that puts homes out of reach of many prospective buyers keep their cash registers jingling. There is no choicer customer than the young family that has just come into home ownership. The need for everything, from linen to lawn-mower, is too obvious to need comment.

However, there is no disposition to belittle the struggle of the monetary authorities, bent as they are on maintaining a sound dollar. Store executives are all too familiar with the inflationary spiral in their own business. Not a few are aware that higher dollar sales only reflect the inflationary trend, rather than a higher physical volume.



Yet they are plainly concerned lest the new generation that has taken to the suburbs find itself unable to buy the goods the stores offer on the popular deferred-payment arrangement.

Twentieth Century Exodus

And it is to be near this kind of customer that the stores have made their multi-million-dollar move. While no precise figures are available, it is a reasonable estimate that fully one-fourth of the American families now live in suburban communities. Here the young families—growing families—predominate.

They are a different breed from their elders. They do not put off their wants until the day that they have the money to buy. They have no compunction about incurring debt.

Nor are their wants simple. It is not enough for them to have a phonograph—it must be a high-fidelity unit. And it is not enough for them to have electrical gadgets throughout the house—these must be in pastel shades. They shun the shoddy and have developed a taste for luxury items, including motor boats.

If they are debt-ridden, they also are the folks who have better-than-average income, bigger-than-average families and higher-than-average home-ownership. And their spending power has grown sharply in the post-war decade.

Ergo, the Shopping Center

Companies such as Allied Stores, Federated Department Stores and Sears, Roebuck were among the first to spot the trend in income and living preferences. John Wanamaker, a New York City landmark, has given up its downtown site to concentrate on the suburban stores.

The downtown stores are feeling the pinch. Many shoppers simply refuse to buck the heavy traffic in their cars. As for hardy souls, when they finally arrive downtown, there is neither parking space nor sufficient off-the-street parking, for which they are prepared to pay. The buses are jammed. And quite often the big-city sales tax awaits them. The result is that people are staying away from the downtown stores by the millions—shopping in their own little community or on the highways, where stores are mushrooming and often open for business even on Sundays. For the Big Stores to ignore the trend to Suburbia could be suicidal.

In the post-war decade more than 200 branch stores have been opened. These are the "name" stores that have served the big cities for generations—R. H. Macy, the May Co., The Fair, Hecht Co., Marshall Field and dozens of others.

Sears, Roebuck was a pioneer in the shopping-center movement, having seen the potential as far back as the 1920's. The National Retail Dry Goods Association mentions three categories of shopping centers.

One is the neighborhood center, which contains food and convenience-goods units. There may be from 10 to 15 stores with parking for as many as 500 cars. A second is the community center, which is larger than the neighborhood center and contains a junior department store. It usually has from 20 to 40 stores and parking for as many as 1,000 cars. The "daddy" of the shopping centers is the regional shopping unit, which tries to duplicate a downtown shopping district by offering complete one-stop shopping for nearly every line of merchandise. It contains a branch of a major department store. The site contains 30 acres and has parking for as many as 10,000 automobiles.

In the regional shopping center scheme, the department store provides the chief drawing power for the other units. It has the advantage of advertising run in the metropolitan dailies by the parent store. Unless it goes in for advertising in the small-town weeklies, the branch store may incur no ad cost whatever.

Building Costs Are Enormous

Branch stores, with (*Please turn to page* 110)

The 25 Biggest Defense Suppliers

PART TWO

(Following is the second and concluding instalment of a comprehensive study dealing with the leading producers of materiel for the military establishment. It should prove of inestimable aid to the reader at a time when weapons of war are undergoing drastic change and overhaul.)

By ALLEN M. SMYTHE

A total of $36.4 billion is available to the military in this fiscal year, which started on July 1, 1956. Big as it is, it may be dwarfed by what is ahead. For the initial stages of preparing the military budget for the year that begins July 1, 1957, are well underway and the first tentative estimates of the three services showed that they asked for $48 billion. That is a rise of nearly one-third from the present year's $36.4 billion.

Charles E. Wilson, Secretary of Defense, has returned these tentative estimates as "unrealistic." A second presentation, however, showed little change in the requests. It should work out to $40 billion.

These budget discussions will go on until some time in December when the Secretary of Defense – probably at White House instruction – will trim the estimates for final review by Congress.

Testimony before the group headed by Senator Stuart Symington and other Congressional investigating committees indicated that while many thought that expenditures could be held back this year, large increases must be expected in the next two years.

Rising Costs a Problem

There is much hard logic to this contention. Military pay and housekeeping expenses already have gone up. Our new fantastic weapons have been in the developmental stage. They are expensive now and will, both literally and figuratively, soar when in the production stage. The inflationary spiral, growing out of American industry's wage-cost-price spiral, makes this a foregone conclusion.

That the business administrators of the Department of Defense realize the danger of our national

debt skyrocketing is evidenced by rumblings of manpower cuts and of reductions in the number of types of guided missiles and combat aircraft. Mr. Wilson even hinted that the sacrosanct 137-wing goal of the Air Force might be cut.

"Something has got to give" is a serious phrase repeated throughout the corridors of the Pentagon by responsible fiscal officials. They all know that whoever occupies the White House at the first of the year must make the final decision on the size of the military budget.

Many high in our present Administration are reconciled to an annual budget of nearly $40 billion for the next two years. Even if some personnel cuts are made and housekeeping costs held down, it is hard *not* to visualize an increase for military hardware.

Such a budget could allow $8 billion for aircraft and $2 billion for guided missiles. Two billion could easily go to research. These are the important items of military hardware that are of great interest to all industrial firms.

In the October 1 issue of THE MAGAZINE we reviewed the prospects for the top 14 military contractors whose business this year will vary from $200 million to just under a billion. In this issue 11 companies which will total above $100 million to just under $200 million will be discussed. Many details of their military business cannot be analyzed because of their classified nature.

BENDIX AVIATION CORP.: Bendix has such a variety of contracts for electronic equipment, instrument and small component parts that it is hard to visualize any great change in its present volume of business. It has made a fair profit on its military business and should continue to do so.

Bendix is pre-eminent in its design of sea and aerial navigational equipment. Instruments, bombsights, computers and many small component parts of large weapons add to the variety of its products. It is deep in the guided-missile field and has the largest component prime contract for the Talos surface-to-air missile. This efficient weapon was developed by the Navy and is being adopted by the Air Force. Bendix is reported to be working on an improved model that could supplant all others of this type.

McDONNELL AIRCRAFT CORP.: McDonnell, after some bad luck with the Navy fighter F4H, has been fortunate with the Air Force F-101 supersonic fighter. It now is going into production and should hold business at its present level for the next year. This 45,000-pound airplane is powered by two Pratt & Whitney J-57 engines, and it has met all of the performance tests initially required by the Air Force. However, there are three other fighters being developed that are in this weight and performance class. They are the Republic F-105, and the F-107 and A3J of North American Aviation.

McDonnell appears to have the lead at present but if any of these other aircraft should show unusual performance they would be rewarded by a greater share of production expenditures.

STANDARD OIL CO. (NEW JERSEY), TEXAS AND CITIES SERVICE: Oil firms are not considered military contractors in the strictest sense, but oil suppliers account for large Navy expenditures. Sales of Esso Export Corp. make its parent corporation the Defense Department's largest oil supplier. World tensions influence our military expenditures. The amount of fuel oil used overseas often serves as a barometer for global conditions.

Our NATO allies often join our naval maneuvers on condition that a benevolent Uncle Sam pick up the chit for supplies and fuel. British and French naval activity in the Mediterranean over the Suez crisis means increased sales for Standard Oil (New Jersey). Texas Co. and Cities Service would benefit to a lesser degree.

CHANCE VOUGHT AIRCRAFT, INC.: Vought has been an exclusive supplier of Navy fighter aircraft. It now has in production the F8Us, the Navy's only supersonic fighter. Other aircraft firms are not in the immediate picture for such weapons and Vought should continue to enjoy reasonable profits for the next few years.

The F8U uses the Pratt and Whitney J-57 jet engine. Production of a comparable fighter, the Grumman F11F, has been held up pending the arrival of the new lightweight General Electric J-79 jet engine. A small order for test purposes is going through using the Curtiss-Wright J-65.

The much-publicized Vought guided missile Regulus is a pilotless small airplane that can be flown from small ships or submarines. A small order using J-65 engines has been received but quantity production will await the arrival of the GE J-79. Although this weapon has a high priority, any volume of business may be two years off.

REPUBLIC AVIATION CORP.: Republic is still producing the obsolete subsonic F-84, presumably for our NATO allies. Production could be cut back at any time. The supersonic twin-engine F-105 fighter will soon be ready for final tests and its production has been planned to maintain present volume of business. However, the production stage may be delayed as all supersonic weapons are now being scrutinized with greater care. Probably delivery schedules and costs also are closely analyzed.

Budget limitations have caused the top business administrators in the Pentagon to consider the limitation of types in the same weight and performance area. The four models in this category have been singled out as a possibility where reductions could be made at considerable savings.

MERRITT-CHAPMAN & SCOTT CORP.: The New York Shipbuilding division of this firm was awarded the contract for the fifth aircraft supercarrier on a close competitive bid. However, extensive changes in the specifications will result in repricing that should assure a fair profit. Four destroyer escorts and other naval vessels also are under contract. It has been Navy policy to keep this efficient shipyard at a good operating volume.

Recent changes in stock ownership have caused some concern in Pentagon circles that this might be followed by widespread changes in management and operating practices. Any such moves could easily cause a change in the volume of Navy business.

GOODYEAR TIRE AND RUBBER CO.: The military business of the tire, aircraft and engineering divisions of Goodyear add up to put their parent firm in the first 20 of military contractors. The

aircraft division also has considerable subcontracts. Prospective business for the engineering division will probably keep the firm in the top group next year.

The diverse military business of the three divisions will be of about equal volume this year. The tire division should maintain its present satisfactory share of the military tire sales. The aircraft division has several important component contracts for Army guided missiles such as launchers and ground-handling equipment. It also has prime and subcontracts for guidance systems that should assure it a prominent place in this expanding electronics field.

Leading Suppliers Of Defense Goods

The top 25 defense suppliers have been cited in the September 29 and current issues of THE MAGAZINE. Those in the top bracket are, for the most part, producers of aircraft bodies, engines and varied components, including electronic devices.

But defense procurement is not all aircraft, as may be discerned from the second instalment of the study. Manufacturers of such items as tires, oil products, camera equipment, explosives and machine tools also play an important part. Hence, we have listed here other companies which, although they are not among the first 25, are prominent suppliers to the military establishment. Each of the following ranks among the 100 leading producers of equipment for the national defense:

Avco Manufacturing	**Hazeltine Corp.**
General Tire & Rubber	**Hercules Powder**
United States Steel	**Bohn Aluminum & Brass**
Alco Products	**Burroughs Corp.**
General Precision Equipment	**Westinghouse Electric**
Raytheon Manufacturing	**Sundstrand Machine Tool**
Collins Radio	**Shell Oil**
Beech Aircraft	**Sylvania Electric Products**
Fairchild Engine & Airplane	**Continental Oil**
Tide Water Associated Oil	**Richfield Oil**
Motorola	**Minneapolis-Honeywell Regulator**
Phillips Petroleum	**Food Machinery & Chemical**
J. P. Stevens	**American Bosch Arma**
Firestone Tire & Rubber	**Allis-Chalmers**
Socony Mobil Oil Co.	**Eastman Kodak**
Continental Motors	**Bethlehem Steel**
Westinghouse Air Brake	**American Machine & Foundry**
Bath Iron Works	**Rheem Manufacturing**

BROWN-RAYMOND-WALSH CO.: This engineer firm has contracts to build the naval and airbases in Spain. It also is building the connecting oil pipelines and railways. They are well underway on half of the bases and all are started. The activity is greatly expanded this year and the business should be substantially increased over the next two years.

The Bureau of Yards and Docks is the contractual agency for the Pentagon for these bases in Spain. They are being constructed rapidly but very orderly. All material and other costs are carefully audited and all engineering practices are checked. Every effort is being made to avoid the errors and heavy costs incurred in the building of airbases in Morocco. The contractor has been given great responsibility and is being properly paid for it.

SPERRY-RAND CORP.: This company's long contact and experience with instruments needed by all three services guarantee that its volume of business will vary as does the military budget. The continual demand for new and better instruments means that a great part of SperryRand's business is in research contracts and as modern weapons become more complex, this research becomes more expensive. All manners of classified projects now are in the laboratory stage. As a result, this company will remain in the top 25 for some years to come.

RADIO CORP. OF AMERICA: RCA is maintaining a steady growth in its military business. Essentially in the electronics area, it also has received many contracts in related fields. It has large component contracts for the Navy Talos missile, which also is being used by the Air Force. Its many classified contracts vary from radar, guidance systems and avionics to instruments and small intricate parts of large weapons.

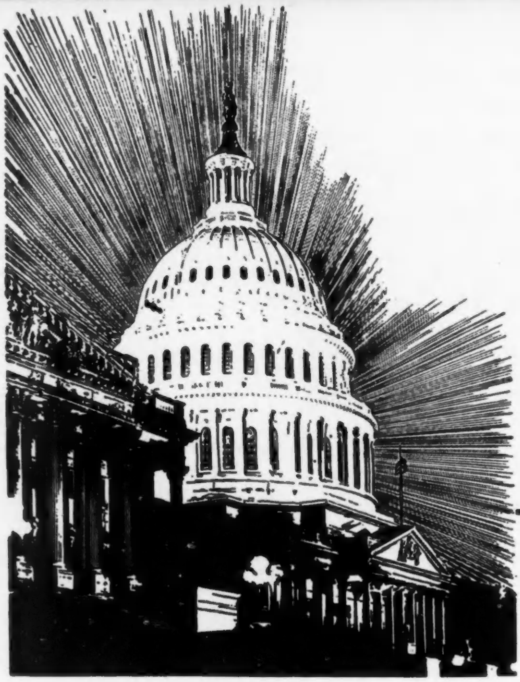
RCA is known by the services to be a careful bidder and negotiator for military business. It has a detailed knowledge of its own costs on scientific articles. Careful and separate records are kept on all projects. This has resulted in its receiving a fair profit on defense business.

INTERNATIONAL BUSINESS MACHINES CORP.: IBM is known throughout the services for its skill in making electronic computers. It has expanded far beyond this activity in its recent research and production contracts with the military. Among other intricate military equipment, it produces the fire control for the B-52 heavy bomber. It has radar contracts and is working on the guidance systems of several guided missiles. Its profits on military business have been fair but with improved cost experience and better contractual practices they should be improved. Present indications are that it will remain in the top 25 for military contract awards.

PHILCO CORP.: Philco has been increasing its military business in the last year. It has entered the guided-missile field in a big way. One of its most promising efforts has been the prime contract for the Sidewinder air-to-air guided missile. This efficient weapon developed by the Navy has just been adopted by the Air Force. Greatly expanded production is in prospect. (*Please turn to page* 100)

Share of Corporate Volume In Defense

Company	% Defense
Allis-Chalmers	17
Bendix Aviation	69
Curtiss-Wright	50
Eastman Kodak	9
Electric Auto-Lite	4
Ford Motor Co.	7
General Motors	7
Fruehauf Trailer	5
General Electric	21
International Harvester	6
Minneapolis-Moline	8
Motorola	21
National Cash Register	4
Oliver Corp.	24
Radio Corp. of America	24



Inside Washington

By "VERITAS"

CHIPS are down in an upcoming election to decide what organization will represent New York City dockworkers in collective-bargaining processes. The local aspects are economically unimportant when contrasted with the national implications. In the world's busiest port, unsavory influences have determined whether traffic moves or stands still. The International Longshoremen's Association, thrown out of the AFL three years ago, is making a third attempt to win back its domination. No technique of gangsterism is expected to be overlooked in ILA's try. From the standpoint of decent labor practice, the stakes are of the greatest importance.

WASHINGTON SEES:

Adlai Stevenson has raised more than talking point in the issue that the country needs a "strong President" in the White House by spelling out the meaning of the adjective as he uses it. He has emphasized a difference in philosophy between the two parties with respect to the position of President: How "strong" should a President be?

Should he, for example, be strong in the sense of Harry Truman, who took labor negotiations out of the realm of National Labor Relations Board and U. S. Conciliation Service jurisdiction and added it to the functions of the White House? Should he be strong in the sense of Dwight D. Eisenhower who insists that the division of powers be respected.

Stevenson's attack has nothing to do with the "health issue." He charges Ike with permitting Senator Bricker to encroach on the Executive's treaty-making prerogative, with letting Senator McCarthy go unchallenged in his invasion of the departments and agencies under White House control, with sidestepping Senator Knowland's incursion into foreign relations, with being wishy-washy on whether the Supreme Court's integration order stands as law, or as fact.

POLICY in the Arab-Israel muddle is being tortured by the State Department. On the record, the United States is adhering to its insistence that no new armament shall be sent to either party. That puts Israel at great disadvantage because the Arabs are getting all the planes they can use, and pay for, from Russia. The disparity is on the increase and with Nasser's present frame of mind (the Suez situation is marked down by him as already won) his next participation in Arab advancement can only be guessed. Against that backdrop it is not surprising that the United States is encouraging Canada in its plane sales to Israel.

LABOR chieftains are smarting under the repeated Republican taunt that there is no union bloc and that the influence of their leadership doesn't extend beyond employment matters. Result will be the first all-out drive to put over candidates indorsed by political-action leagues. The AFL-CIO Committee on Political Education set out to get $1 apiece from its 15 million members. It will not be satisfied with one-third that amount, although that's the outlook. They want right-to-work laws revoked as their price. But GOP is reminding them Democrats control Congressional delegations in 12 of the 17 states having the statutes.

TAX STUDY, which was scheduled to get off to big start this month with hearings on Capitol Hill, has been slowed by the increasing demands of the campaign. The result has been to keep the inquiry on the staff level until late November. Rep. Wilbur D. Mills, chairman of the inquiry group, promises "realistic and unemotional" appraisal of distribution of the tax load. The search for "loopholes" is on again (that always makes good reading), but inquiries to date reflect greater interest in procedural questions accentuating the burden of taxpaying.

As We Go To Press

▶ Against the worries that have pervaded the construction industry in the wake of tight-money market has been presented the encouraging results of a survey conducted by the Associated General Contractors of America. This is an objective examination to inform the industry, not to propagandize the public into an optimistic climate. Its accuracy is taken for granted; plans and money depend on it. And in the most troublesome field, homebuilding, it projects a gradual recovery. "Recovery" is the word used in spite of the fact that Federal agencies not only avoid it but also strenuously object to its use.

▶ The contractors' trade association speaks of "recovery" although the construction volume is hitting a record-smashing annual rate of $60 billion, which would seem to be a rather healthy status. But the report foresees a rise to $78 billion by 1965, including $19 billion annually in maintenance and repair. While the survey indicated that most of the gain is expected to be registered in non-residential construction of all types, it also envisions new residence construction increasing by 26% from the 1956 estimated level of $15.8 billion to $19.9 billion in 1965.

▶ Continuing: In 1957, according to the study, residential construction volume will drop slightly, but the upward trend will be resumed in 1958. The $16 billion mark is expected to be reached in 1960, the $17 billion mark in 1961, and the $18 billion level in 1963. By 1964, the residential construction total will move across the $19 billion line. These projections take into consideration fluctuations in the money market, current rates of investment and the encouragement to new housing areas which the national highway program is expected to bring.

▶ Getting away from considerations of dwellings, the contractors see continued good business in the industrial, commercial, institutional and school-building lines. Forecast is a rise from the present $12.8 billion annually to more than $17 billion a year in 1965--an increase of 34%. To keep pace with this advancing rate of construction, the AGC warned "even greater expansion programs than now are underway should be considered by the steel, cement and other industries serving construction."

▶ This season marks no exception to the experience which comes each four years in point of "significant" switches from one party to the other. In each national election period, the casual reader of newspapers would get the impression of a revolt first against one party then against the other, as "big names" move over lines to support the erstwhile foe. Two former Republican Governors of Midwest states have come out against re-election of President Eisenhower: Adam McMullen of Nebraska and Dan Turner of Iowa. On the other hand, Gov. Shivers of Texas, a Democrat, has placed his not inconsiderable influence behind Ike, just as the Democrats were rejoicing over a united party. Similar examples could be cited on the state and local level, each canceling another out.

▶ As the campaign nears the midway point it is obvious that it is more a battle between Vice-Presidential nominees than ever before. Nixon and Kefauver have shaken hundreds of thousands of hands and talked face-to-face with so many other hundreds of thousands as to make the whistle-stop drive by Harry Truman appear slow-motion in comparison. Stevenson is beating the bushes, too, and Ike has abandoned his aloofness toward mingling with the crowds, but it's still Dick and Estes carrying the ball. The Vice-Presidential nominees have party control at stake: It's the last time out for both Adlai and Ike, win or lose, many believe. This is true, of course of Eisenhower. Should Stevenson win, denial of a second-term nomination would seem improbable. But that's the way Kefauver people view it: Estes is the next party boss, they say.

▶ Nixon's enthusiasm has plunged him off the deep end. His three TV sets in each home, two cars in the garage and three days of leisure time each week is pure pie in the sky and he knows it. It leveled off

one of the foolish weeks of the campaign, a week that began with Adlai's suggestion that Selective Service draft and A-bomb tests may safely be abandoned. Radio and television have resulted in a better informed and therefore more skeptical electorate, so these things are taken with a grain of salt. But this business of promising Utopia, with a straight face, must cast doubt on the validity of things the candidates really profess to believe in. That at least is the aggregate of editorial opinion in the country now.

▶ Life insurance company executives spent a week in annual session in Washington and left behind them a statistical report on their business. It was an eye-opener of the more pleasant kind, from a business standpoint. Almost everybody in the United States owns an insurance policy. Each person is likely to view the whole of insurance as embodied within the corners of the imposing document which bears his name as payee or beneficiary. But taken together, the story of life insurance is this: 100 million Americans have this kind of coverage. The aggregate value of $372 billion approximates the gross annual product of this country. Last year, the companies paid out $5,383,000,000 in claims. And it's a business that gives livelihood to 225,000 agents; many times that number outside the direct sales force.

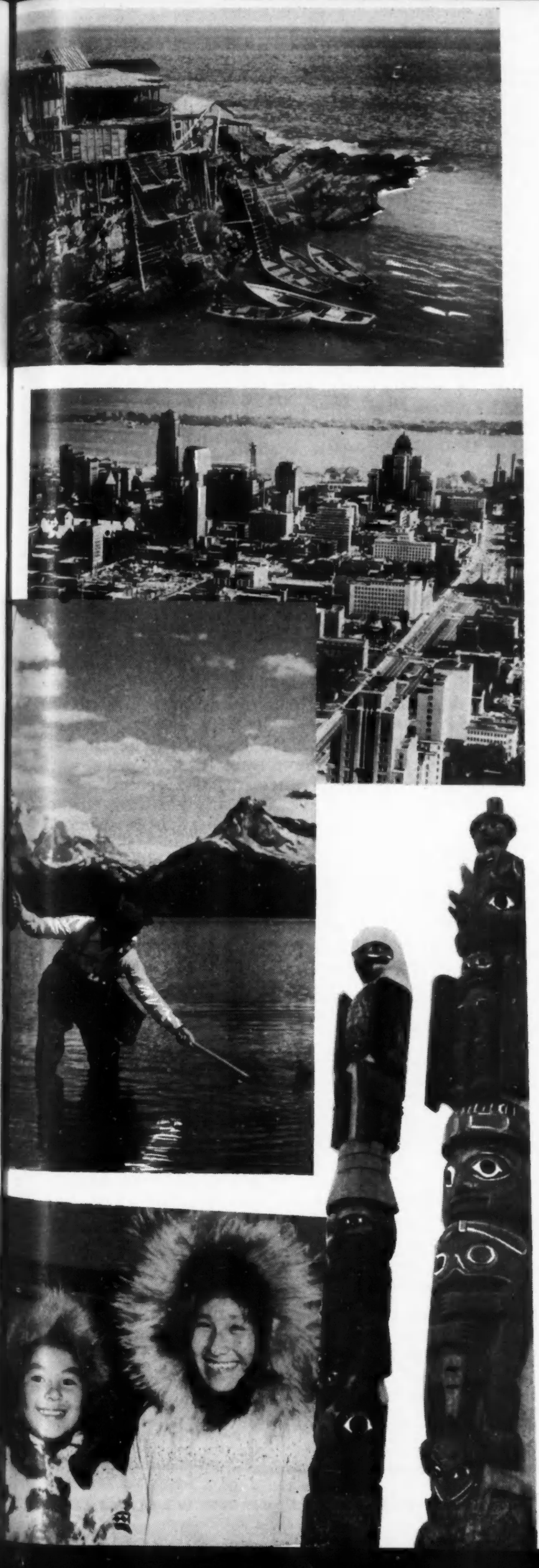
▶ The Food and Agriculture Organization of the United Nations has taken an important and interesting step. It has picked for its new director-general, B. R. Sen of India. This is a departure which interests the Department of Agriculture and the exports trades. For the first time, FAO is headed by a chief who represents a scarcity country; until now, director-generals have been from surplus countries. Undoubtedly, new policies will be put forth, reflecting the other side of the food distribution picture. Mr. Sen served in Washington as Minister, then Ambassador, of India. He served on U.N. groups before. He is regarded competent and, importantly, familiar with and friendly to U. S. agriculture.

▶ Up to now, no major political party has been beholden to a third-party movement for its success at the Presidential election polls. It isn't likely that it will happen this year either; but there is food for thought in the candidacy of T. Goldman Andrews, who took appointment from Eisenhower to enforce the Federal income-tax laws in which he doesn't believe. Andrews will not figure as a true contestant. Yet it is possible that he will pull large enough strength in Virginia to determine whether its electoral vote goes to Adlai or Ike. It means 12 votes in the Electoral College meeting, which could decide a close election.

▶ Ike carried Virginia in 1952. Current polls place the state back in the Democratic column from which it departed only twice in history. A newspaper survey, admittedly not a very convincing sample either in point of number of persons reached or diversification of economic interests, showed queried Virginians stacking up this way: Eisenhower, 30%; Stevenson, 29%; any "states rights" candidate, 28%. The poll was taken before Coleman, a highly-regarded Virginian, let his name be used on a third-party ticket.

▶ Unlike other Presidential campaigns, this one has no effective second team out in the hustings backing up the ticket. Benson is lost in the woods and is being accused by the Democrats of ducking the face-to-face meetings with the farmers which he said was his objective. Other Cabinet members are remaining aloof. On the Democratic side the Trumans, Harrimans and all the rest are relatively inactive. Almost 25 years ago, the U. S. embarked upon a Federal program of spending the country into prosperity. It won elections.

▶ Business, industry and agriculture were at a standstill when the spend-and-elect principle impressed itself on Washington. There was only one source of money to start things rolling, and there was the incentive to dig it out and put it to work. Now a quarter of a century later, the politicians appear to believe that the same technique can work in a time of national prosperity, full employment and a farm situation which demands, not income, but more income. The guilt doesn't rest with one party. Both are making promises over their heads--cradle-to-grave uninterrupted income, rich retirement, televisions and automobiles in abundance everywhere and four-day week. The politicians still have the habits of the 1930's, but they don't have the money and cannot possibly deliver.



On-the-Spot Report on

ALASKA and CANADA

The poet, Robert William Service, captured the spirit of the Alaskan Territory around the turn of the century....

> *"This is the Law of the Yukon, that only the Strong shall thrive;*
> *That surely the Weak shall perish, and only the fit survive."*

By V. L. HOROTH

The objective of my vacation journey this year was to learn something by personal experience about North America's perennial-"frontier," now being rolled back with a new vigor with the aid of the airplane and the bulldozer. For more than three weeks we criss-crossed by sea, by highway, and chiefly by air, parts of British Columbia and Alaska, and even ventured into the accessible parts of Canada's Yukon Territory, the old Klondike, made famous by the gold rush days of '97 and '98.

Except for the Canadian Rockies from Jasper National Park south, this frontier land of North America can be recommended only to hardier travelers. But those who are willing to rough it on the Alcan Highway, or on some of British Columbia's newly-opened roads, will be rewarded by some of the most magnificent scenery on the North American Continent. Even the Canadian Rockies seem tame compared to the Mount McKinley Massif and the peaks of the Wrangell and Mt. St. Elias ranges. It would likewise be difficult to find anything to rival the wild grandeur of the Glacier Bay National Monument.

Roadway is Primitive

One of the roads that we ventured on—a dashed thin blue line on the map of British Columbia—will one day be known as the Yellowhead Highway and will connect Edmonton with Vancouver. But now the joy of driving through hundreds of miles of primeval forest and magnificent mountain scenery is tempered by a feeling of helplessness, and the road itself is in places no wider than a farm lane in rural New York.

As a matter of fact, perhaps the most lasting impression that one carries from the journey to this continent's great Northwest is that of enormous distances and great emptiness. A name on the map is, as often as not, only a small fish cannery on one of British Columbia's "canals," the deep fjord-like

waterways that penetrate far into the coastal ranges. Another name may be but a mine with a few shacks, which a plane reaches after crossing one bleak snow-covered range after another.

Transportation over vast distances increases the expense, and transportation costs, perhaps more than anything else, are the major obstacle in Alaska's and British Columbia's economic development. The area of Alaska, for example, is one-fifth that of the United States, or larger than all of Western Europe without the Scandinavian peninsula. From Ketchikan, which is the salmon-packing capital of the world and one of Alaska's liveliest cities, to the end of the Aleutian Island chain is about as far as from Charleston, S. C., to Los Angeles. From Ketchikan to Point Barrow on the Arctic Ocean slope, where the Navy has set aside a huge petroleum and natural gas-bearing area, known as Petroleum Reserve No. 4, is as far as from South Carolina to Montana.

Alaskan Economic Indicators

	1937	1947	1950	1953	1954
Value of Fishery Products (Mil. $)					
Canned salmon	44.5	93.1	82.3	58.2	
Other fish	7.2	20.4	17.8	11.0	
Salmon pack (000 cases)	6,670	4,312	3,273	2,882-p	
Value of Mineral Prod. (Mil. $)					
Gold	20.4	9.8	10.1	9.6-p	
Other minerals	7.6	8.7	7.7	18.3-p	
Coal mined (000 tons)	132	361	393	850-p	
Timber cut (mil. board feet)	37.4	93.6	59.9	63.9	
Value of farm prod. (mil. $)	.5-a	1.1-b	1.8		
Deposits (mil. $)	14.8	57.8	78.1	127.8	140.4
Automobiles (000)			26.7	50.8	
Population (000)	72-c	108	137	205	212
Defense construction (mil. $)					
Cumulative		1,065	1,193	1,581	
Foreign Trade Imports (mil. $)		.5	1.0	1.2	2.8
Foreign Trade Exports (mil. $)		1.9	2.5	3.6	6.8

a—1939; b—1948; c—1940; p—prelina

As for British Columbia, this province is considerably larger than California, Oregon and Washington combined, and from Vancouver in the southwest corner to Ft. Nelson on the Alcan Highway in the northeast corner is as far as from Florida to New York. Some of this vast territory is now being opened up by the Pacific Great Eastern Railroad, which is extending its mainline to Vancouver and to the Peace River area. It is said to be the largest railway - construction job undertaken in North America in the last 20 years.

Looking Ahead with British Columbia

	1939	1945	1950	1955	1975
Population (000)	792	950	1,140	1,266	2,300-a
Personal income (mil. $)	379	723	1,336	1,965	4,500-a
Retail spending (mil. $)	242	438	1,061	1,380	3,150-a
Capital expend. (mil. $)				896	2,266-a
Gross value of prod. (mil. $)					
Forestry	88	148	467	630	
Mining	75-c	55	148	177	
Agriculture, cash income		103	136	106	
Fishing, market value		45	69	60	
Manufacturing (gross val.)	311-c	629	1,133	1,600	
Net value of prod. (mil. $)	295	553	995		
Pulp prod. (000 tons)	321	520-b	776	1,480	
Tourist spending (mil. $)			35	45	
Hydroelect. power (000 inst. hp)	788-c	864	1,284	2,250	12,500-a
Prov. gross debt (mil. $)	236	159	184	179	

a—Forecasts made for the Royal Commissions on Canada's Economic Prospects; b—1946; c—1940

Red Dog Saloon and Kitimat Hotel

Among the places that I like to recollect, two stand out: The Red Dog Saloon in Juneau, Alaska's capital, and the Kitimat Hotel, in Kitimat, a brand new city which the Aluminum Co. of Canada (Alcan) is building on the beautiful Douglas Channel (fjord), some 100 miles from the southernmost tip of Alaska. These places typify for me the difference between the old and the new in frontier life.

The Red Dog Saloon is the most picturesque and liveliest among the scores of saloons that border Juneau's main street. The place is filled with stuffed bear and moose heads, mounted salmon and seals, rock specimen and old pistols. One can well imagine it full of miners and fishermen in the days when gold-mining and fisheries were the mainstay of the Alaskan economy.

Gold Mines In Trouble

But those days are slowly passing. The once-famous Alaska-Juneau Gold mine now is closed; in fact, gold mines all over Alaska are going out of business or limiting their operations. The fishing industry also seems to have seen its best days, and there is talk that the advance in fish-freezing methods (trawlers now have fish-refrigeration units aboard) may result in fish being sent to more modern canneries in the States.

The main reason for this crisis in Alaska's chief industries seems to be shortage of labor, and high costs and prices. As a matter of fact, tourists become quickly aware of Alaskan prices. The Red Dog Saloon charges about a dollar for a bottle of beer which, like 90% of everything that is consumed in Alaska, must be brought in from the States. A taxi charges 75 cents for a two-block trip to the ship dock; a haircut is $2.50 and a shoe shine 50 cents. Rents are high because of the shortage of housing. Houses that sell for $20,000 in the States cost twice as much in Alaska, but they seem to be more solidly built to withstand cold weather.

The Kitimat Hotel, built on a clearing where a dense fir and spruce forest stood only three

years ago, is quite a different place from the Red Dog Saloon. Modern and airy, it has no rooms for tourists but, to comply with British Columbia laws, it has two separate bars, for gentlemen and for ladies. The hotel is filled with the overflow of engineers, architects and construction workers who are waiting to be assigned quarters in houses, trailers and beach paddlewheelers. The city actually is growing before one's eyes. Incorporated in 1953, it now has more than 20,000 people, mostly men. By the time Alcan's smelter reaches its ultimate capacity of 550,000 tons of aluminum a year, Kitimat will have a population of 50,000 and be the third largest city in British Columbia, ranking after Vancouver and Victoria.

Kitimat is a city of bulldozers and trucks that are reshaping a wilderness into a modern, scientifically laid-out city consisting of neighborhoods, each with its own Hudson Bay Co., stores, banks, laundries, garages and other service establishments. A whole mountain of gravel is being taken apart to make streets and build a port; dynamite explosions, falling trees, and the roar of bulldozers merge in a subdued hum which apparently keeps everybody stirred up and excited.

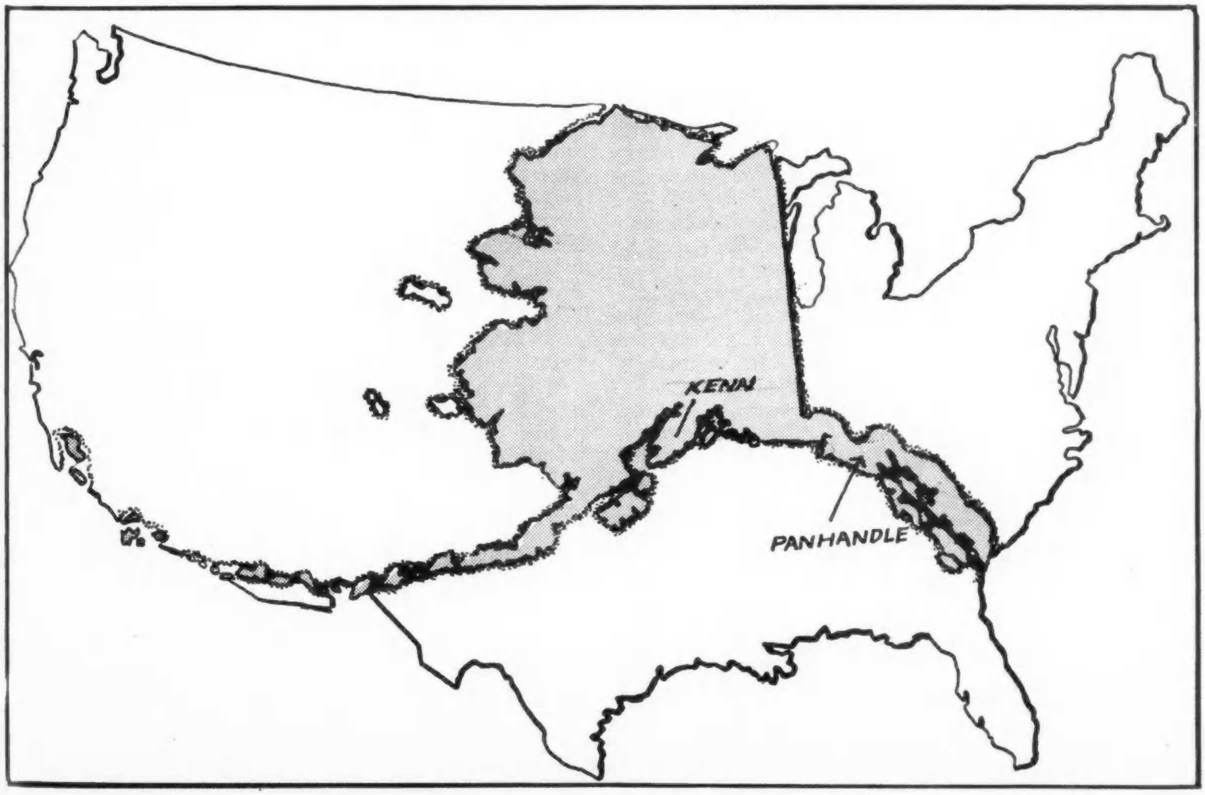
There are but few cars in Kitimat–there is no reason for having them. But now a daily train connection with the Canadian National mainline at Terrace and a highway connection are expected to be finished in a year or two.

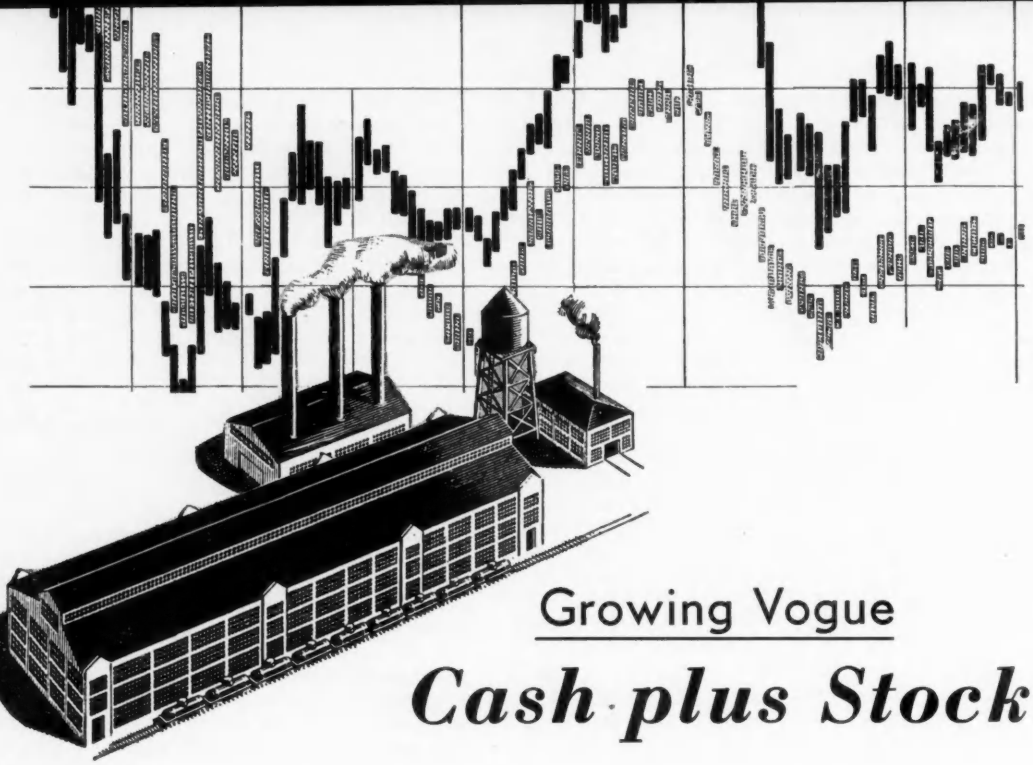
Kitimat is not the only booming place in British Columbia. The whole province is smashing ahead at a rate—so the boosters claim—faster than that for the rest of Canada. This may be true, for people have been pouring into this province which, because of its relatively mild climate, is something of a "California" for the rest of Canada. The population now exceeds 1.3 million, having doubled in less than 20 years. Half of the people are settled around Vancouver, bustling city of beautiful homes and gardens surrounded by magnificent water and mountain scenery. Vancouver now is proudly proclaimed the third largest city on the North Pacific coast, having outstripped its rival, Seattle.

British Columbia: A Boosters' Paradise

Capital is pouring into the province too, for the expansion and the modernization of paper and pulp mills, sawmills, plywood factories, cement and asbestos manufacturing, chemical plants, as well as for the development of mining (copper, nickel, lead, zinc, gold, and uranium), the construction of petroleum and natural gas pipelines, the development of waterpower resources and irrigation. Only the ranchers (cattle, sheep) and fruit growers (apples, peaches, apricots) are complaining, because of poor harvests and uncertain markets in Europe. Capital expenditures in 1955 were put at almost $900 million, and personal incomes at nearly $2 billion. Over 1,500 new companies are reported to have been organized in 1955. Vancouver's downtown skyline now is quite impressive. (*Please turn to page* 106)

A Better View of the Size of Alaskan Territory May Be Had From Map Superimposed on United States





Growing Vogue

Cash plus Stock

By **WARD GATES**

The trend toward supplementing cash dividends to shareholders with a payment in stock in lieu of a higher cash payment has been spurred by the tightness in the money market. Of course, in the midst of the greatest capital-goods expansion program in the history of American industry, the desire to retain substantial amounts of cash in corporate coffers would have been manifest anyhow, since innumerable companies prefer to undertake expansion with retained earnings rather than resort to financing. But the trend toward tight money has made the device unusually popular.

Actually, the disbursement of cash plus stock is an ancient device, to which corporate directors have had resort for varied reasons. This year it has been stimulated by the high cost (or even the unavailability) of money, but for decades it has been the practice of companies which plowed back earnings into the business, seeking at the same time to offer modest rewards to the owners of the enterprise. They deliberately took this road to achieve corporate growth, calling on shareholders to share a future vision in lieu of immediate cash dividends.

Popularity of "The Growth Stock"

That management possessed considerable vision and shareholders ofttimes displayed rewarding patience are reflected in the subsequent popularity of "the growth stock." In the cash-plus-stock category these many years have been such outstanding performers as International Business Machines, Eastman Kodak, Grand Union Co., Food Fair, Rohm & Haas, Gulf Oil, Sun Oil and Dow Chemical.

Growth can be on the phenomenal side, as in the case of IBM. If you were around in 1914, you could have bought 100 shares of that stock for $2,750. If you shared the vision of management, you would have put up another $3,614 to exercise rights, made available in the 1920's, to buy additional shares. After a few years, the company got away from issuing rights, going over to the cash-plus-stock formula.

If you remained aboard, the $6,364 invested in IBM would now be worth well over $2 million, since you would be the owner of about 5,000 shares, now selling at $463 a share. This does not take into account the modest cash dividends paid by IBM over the years. These alone would have repaid the cash investment many times over. The company has paid some cash dividend in each year since 1916.

This is not to say that every company that disburses cash and stock qualifies as a growth situation. Nor are we concerned here with companies which have suspended cash payments altogether and gone over completely to stock dividends.

There have been numerous instances in which stagnant companies, lacking cash resources or earnings power, have supplemented nominal cash dividends with stock extras to pacify restive stockholders.

By and large, however, the cash-plus-stock formula is favored by growing companies in need of cash and, conversely, by stockholders who are reconciled to waiving cash in exchange for long-term benefits. Indeed, many investors have a strong preference for this type of situation. People in the upper and medium-income brackets, in this way, find an avenue for securing reasonable income while reducing the amount of their tax liability. Stock dividends are not taxable, except in highly specialized instances which do not affect the average investor. Hence, income in the form of stock dividends is doubly welcome, since it adds to the value of the investment without being subject to normal tax penalties.

There also is the matter of compound interest in the matter of stocks held over long periods. Thus, the holder of a round lot of Sun Oil in 1951 would have received a 10% stock dividend. An 8% stock dividend was paid in 1952 to this shareholder, on the 110 shares then held. A like dividend was paid on the rising number of shares in each of the two succeeding years and a 6% stock dividend was disbursed last year. Companies usually disburse cash in lieu of fractional shares.

Vogue Likely to Grow

Since it appears that business intends to go on increasing capital spending for the rest of the year, the cash-plus-stock vogue is likely to grow. Spending for new plant and equipment in the quarter just ended was at an annual rate of $36.3 billion. In this quarter that rate may reach $38 billion. The doubtful elements are dearth of materials, notably structural steel, and the pinch of money. If these hurdles can be overcome, then total plant and equipment expenditures for 1956 will amount to $35.3 billion, a rise of 23% from the record established in boom 1955.

This situation has bred a tight-money condition, reflected in the comparatively high rates corporations now must pay for new bond issues and in the inability of many companies even to sell issues. Many corporations have turned to their own stockholders, offering debentures convertible into stock or rights to purchase additional shares at less than the going market price.

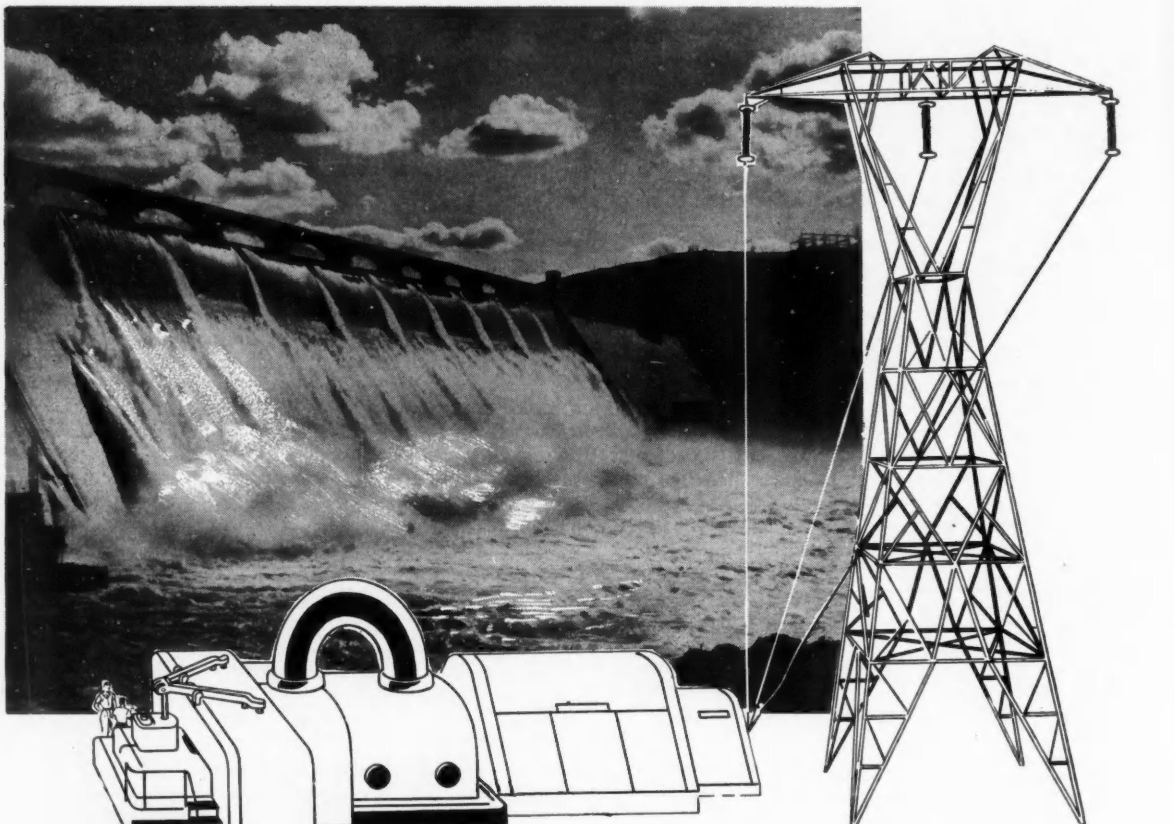
Obviously, the financing needs of each company are different. If prospects are that future earnings will fluctuate widely, directors probably would lean more toward equity than debt. Where the outlook is for a high degree of earnings stability, the percentage of debt financing can be increased. No doubt, the present high level of debt financing would assume even greater proportions but for the credit stringency. As a result, many corporations have deferred financing.

As noted in the foregoing, other companies have found they could meet their capital-spending needs, in whole or part, by restricting cash dividends to moderate amounts while offering stockholders supplementary stock dividends. Following, accompanied by comments, are (*Please turn to page* 103)

Joining Stock-Plus-Cash Plan in 1956

	1956 Payment In Stock %	1956 Payment In Cash	Earnings Per Share 1955	Earnings Per Share 1st 6 Mos. 1956	Price Range 1955-1956	Recent Price
Aeroquip Corp.	5%	$ .30	$1.43	$1.17[1]	17½- 8¼	14
American Chicle	10	2.12½	4.19	2.31	67 -54½	55
American Encaustic Tiling	5	.45	1.57	.80	19⅜-12⅛	16
American Gas & Electric	2	1.03	1.95	1.07	43½-26⅝	38
American Steel Foundries	5	1.80	3.17	5.50[1]	54 -29⅝	45
Ashland Oil & Refining	2	.70	1.56	1.63[1]	20 -12⅝	17
Austin Nichols	4	.20	.71	1.36[2]	14½- 9¼	10
Automatic Canteen	5	1.27½	2.21	2.11[1]	29 -19	26
Beaunit Mills	20	1.12½	4.42	.82[3]	37½-17¾	[illegible]8
Bendix Aviation	5	1.20	5.66	3.21[1]	63 -45	56
Carolina Power & Light	5	.82½	1.70	1.71[4]	27⅞-23	24
Consolidated Laundries	50	.75	1.85	.97	22⅝-12	16
Dayton Rubber	10	1.05	3.43	2.21[1]	28⅞-15⅝	28
Eastern Air Lines	2	.75	5.32	2.71	58 -35¼	49
Ekco Products	10	1.50	3.78	1.76	50 -32¾	37
Emerson Radio & Phon.	1	.30	1.28	.02[1]	16⅜- 8	8
Fedders-Quigan Corp.	5	.45	.36	1.17[1]	13⅜- 9	10
General Bronze	5	.75	3.51	1.15	36⅜-25¾	26
General Contract	4	.20	1.61	.86	21¾-14½	15
Harsco Corp.	2	1.00	3.92	2.55	43 -25⅝	38
Hayes Industries	10	.90	2.59	1.14[1]	18⅛-13½	15
Interchemical Corp.	15	1.95	4.79	2.67	59½-32⅜	56
Lowenstein (M.)	2	1.12½	3.80	1.32	31¾-21	21
McLellan Stores	2	1.60	2.02	.26	29⅛-18¾	20
Merritt-Chapman & Scott	4½	1.00	2.00	1.19	26⅝-18⅜	19
National Distillers	2	.75	1.60	1.08	28⅝-19	27
National Linen Service	2	.80	1.25	1.21[1]	14⅜-11⅛	12
Penn-Texas Corp.	5	.35	.57	.81	22⅞-12⅛	13
Rockwell Spring & Axle	4	1.50	3.79	1.52	33⅜-24⅛	28
Ronson Corp.	25	.70	1.26	.69	17¼-10⅜	15
Seagrave Corp.	5	.30	1.31	.56	31¼-16	17
Shell Oil	10	1.50	4.[illegible]5	2.52	100½-49⅛	88
Smith-Corona	4	1.15	3.26	4.27[5]	46¾-20⅝	36
Socony-Mobil Oil	25	1.50	4.74	2.83	66 -39⅞	51
South American Gold & Plat.	5	.30	1.05	.52	12½- 8⅜	9
Standard Oil of Ohio	20	1.85	4.61	2.71	59⅞-35	52
Sunray Mid-Continent Oil	5	.90	2.27	1.23	30⅛-21¾	26
Union Oil	10	1.80	4.12	1.77	65⅝-41⅜	59
United Industrial Corp.	2	.30	.06	.57[1]	8¾- 5⅞	6
Van Raalte Co.	2	1.65	3.46	1.36	39¼-27½	28
Western Air Lines	4	.60	2.67	1.50	25¾-16⅞	23
Western Pacific R. R.	2	2.25	5.91	3.11	86 -55¾	70
Wilson & Co.	3	.50	1.72	1.97	16⅞-10⅝	14

1—9 months.
2—Year ended April 30, 1956.
3—Quarter ended June 30, 1956.
4—12 months ended July 31, 1956.
5—Year ended June 30, 1956.



Utility Holding Companies Stage Strong Comeback

By RICHARD COLSTON

During the 1920's and 1930's the utility holding companies came into disrepute because many of them had been built up by a group of financial promoters, with highly-leveraged capital structures and with almost complete disregard for the usual yardsticks of earnings and dividends. Fancy prices were paid for the stocks of small or medium-size operating companies throughout the United States so long as holding company paper could be used in payment for them.

Many different types of new securities were sold to the public, in some cases giving the investor a feeling that he had a prior claim on earnings while actually he was in quite a junior position. Tiers of holding companies were built up, one over the other, sometimes reaching eight or 10, until it was difficult to trace the chain of control and voting power. The promoter, sitting on the top holding company, frequently was able to control his utility empire with merely a token investment.

Some of these holding companies fell of their own weight like a house of cards in the 1930's, leaving the courts and the trustees to winnow through the assets and salvage something for holders of the securities. Others like North American Company were not overcapitalized and survived for the time being. Meanwhile, in 1935 Congress had passed the Public Utility Company Act, and given the Securities and Exchange Commission the job of liquidating or streamlining the electric and gas holding companies (the telephone, transit and water holding companies escaped).

Through the Wringer

During the late 1930's and early 1940's the SEC called for recapitalization plans, and forced the sale of many small properties in order to pay off holding-company debts. In 1942, it was feared that the remaining holding companies would be "sold down the river"—that their stockholdings in subsidiaries

would have to be dumped on the market for whatever they would bring. This resulted in a bear market in utility securities equal to or greater than that of 1932. The commission, perhaps frightened by the evident results of such a drastic program, gave the holding companies a new lease on life, and in many cases began a step-by-step process of reform.

The statutory tests to which the holding companies had to conform were, however, quite severe. The subsidiaries had to be in contiguous states and only two holding companies could be superimposed on a group of operating companies. The commission also required an equity ratio of at least 25%, although one or two exceptions to this rule-of-thumb policy were permitted. Any holding of 5% or more was deemed to give working control of a subsidiary. By the early 1950's the program was largely completed, although a few odds and ends remained to be done.

There now are some nine major gas-electric holding companies, all of which have conformed to the Act. (Please note the accompanying table.)

Leading Gas-Electric Holding Companies

	1955 Revenues (Millions)
American Gas & Electric	$258
Southern Company	209
General Public Utilities	174
Middle South Utilities	149
New England Electric System	130
Texas Utilities	127
West Penn Electric	125
Central & South West	114
New England Gas & Electric Assoc.	40

Of these holding companies, only three (New England Electric, New England Gas & Electric and American Gas & Electric) survived with their identity unchanged. West Penn Electric came out of the old American Water Works & Electric System, and Southern Company out of Commonwealth & Southern; Middle South Utilities and Texas Utilities were offshoots of Electric Bond & Share's subholding companies, Electric Power & Light and American Power & Light; Central & South West represented the remains of the old Middle West System operated by Samuel Insull, and General Public Utilities emerged as part of the old Associated Gas System.

In general, each original holding company sold enough securities to pay its debts, and stock of outlying properties, in some cases, were distributed to stockholders. The nucleus of adjacent subsidiaries then became a new holding company system, after they had been thoroughly "purged" by the SEC. The new holding companies, when finally launched, were in excellent accounting and financial shape, and investors in their stock have obtained substantial appreciation as a result of their post-war comeback.

Following are thumbnail sketches of the nine systems as they now are set up:

NEW ENGLAND ELECTRIC SYSTEM AND NEW ENGLAND GAS & ELECTRIC together serve a substantial part of the New England area, centering mainly in Massachusetts and Rhode Island. Both systems were permitted to retain substantial amounts of debentures or collateral trust bonds since this was the only practical way they could be effectively reorganized (other holding companies were allowed little, if any, parent company debt).

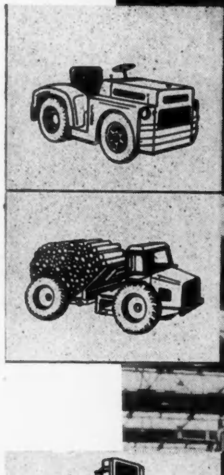
For this reason, perhaps, the stocks of these two holding companies have not acquired the high investment status enjoyed by other holding-company stocks, as indicated by the generous yields obtainable. New England Electric System, for example, selling recently around 17 and paying $1, yields close to 6%; New England Gas & Electric, selling over-the-counter fractionally higher, yields slightly less than 6%. The non-growth character of the New England area and the migration of a substantial part of the textile business (though replaced by varied industries such as machinery, electronics, etc.) has had a dampening effect. Added to this is the rather dour New England regulatory setup. Share earnings of these companies have not shown very much growth over recent years, although the record of New England Gas & Electric is, all things considered, better than that of New England Electric System.

GENERAL PUBLIC UTILITIES, under the dynamic management of Al Tegen, has enjoyed steadily increasing earnings and dividends, and the common stock has had a good market record. The system controls four major utilities in New Jersey and Pennsylvania and also Manila Electric in the Philippines. Mr. Tegen was able to get a special bill through Congress recently in order to retain GPU's control of Manila Electric—no mean feat considering the fate of some other utility bills. GPU has been selling recently around 37½ and paying $1.60 to yield 4.3%; an increase in the dividend rate is expected soon. Earnings for the 12 months ended June 30 were $2.87, compared with $2.56 for the preceding 12 months.

AMERICAN GAS & ELECTRIC is a very popular growth stock at present, selling at over 18 times earnings despite the recent decline in the market. The system embraces a number of large operating companies in five states centering around Ohio, full interconnected and integrated. President Sporn, who is rated a genius in electric engineering research, has developed substantial operating economies by building large generators, situating his plants near coal mines, and thus obtaining very cheap steam power. His plans for a $700 million expansion program and for the servicing of aluminum companies in the Ohio Valley have caught the imagination of the Street, resulting in a rise in the stock from last year's low of 26⅝ (after adjustment for the stock dividend) to the recent high of 43½, an increase of 63%. The company's past record of share earnings has not shown the rate of gain usually deemed necessary to achieve this market status, but presumably institutional analysts look for sharper gains over the next two or three years.

WEST PENN ELECTRIC has had a fairly good record of increasing share earnings considering its original handicap of a low equity ratio (24%) when the stock came into the hands of the public. During earlier years it was necessary to sell large amounts of common stock not only to provide for growth but also to raise the equity ratio to the present level around 30%. However, this program has now been substantially completed with the result that equity financing is only done every three or four years. (A moderate-size issue is expected next spring).

Despite this summer's *(Please turn to page 96)*



Materials Handling

Mechanical Cost-Cutters Thrive on Labor Savings

By H. F. TRAVIS

The materials-handling-equipment industry has shown substantial growth in recent years, with annual sales increasing at the rate of 10% to 25% a year. There are strong indications that this trend will continue over the next decade, with occasional interruptions owing to cyclical declines in general business.

Factors which have been responsible for the growth of materials-handling-equipment companies seem likely to continue to remain in operation for the foreseeable future. It is estimated that the proportion of total costs in the average factory accounted for by the movement of raw materials and finished products represents nearly 25% of the total cost of production or as much as 50% of total labor costs.

In the movement of materials, manufacturers have been able to effect substantial economies since World War II. This has been done by the substitution of mechanical-handling equipment for common labor to do the lifting and hauling. It has been discovered that with relatively small investments in handling equipment, important economies could be effected quickly and easily. In many cases, it has not even been necessary to disarrange production lines, for the new types of handling equipment are so flexible and mobile that they can be used anywhere in the plant.

Factors Making for Growth

Two important factors account for the growth of handling-equipment sales and point to continued expansion in the future. These are, first, the steady rise in wage rates, and, second, the general capital-goods boom, which is resulting in record-breaking expenditures for new plants and equipment this year.

Capital spending for new plants and equipment in 1956 will set an all-time high of over $35 billion, or 23% more than last year's total. This year's total includes expenditures for many new plants. The handling systems needed to equip them have run into very large sums. Over and above such new

installations, the materials-handling industry is enjoying an abnormally large re-equipment market, as manufacturers seek to overcome rising costs of labor by installing new and improved handling machinery in old plants.

Labor costs per man hour worked are apparently going to continue to rise, year by year. Industry has not been able to check this trend during the last 20 years and there is nothing on the political or economic horizon which points to an even temporary check to labors' gains. Actually, many industries now are accepting annual boosts as inevitable and are entering into long term three and five-year contracts calling for wage gains ranging from 6 cents to 10 cents an hour. In addition, costly fringe benefits — pensions, supplemental unemployment compensation, etc.—are being granted or are being steadily liberalized.

The Quest for Offsets

This places tremendous competitive pressure on management to offset some of these new labor costs by mechanizing operations wherever possible. Failure to make such investments may mean that management will not be able to meet low prices established by more efficient competitors who are constantly reaching for a larger share of the market in any commodity.

The present tight money policy of the Federal Reserve Board has unquestionably tended to slow down the capital-goods boom, and this will have some impact on earnings of materials-handling producers in the second half of 1956.

The rise in interest rates and the tightness of money already are discouraging some companies from carrying out capital investments which they had planned. Steel shortages have also resulted in a dip in production of capital goods.

Hence, there is a good chance that the current capital-spending peak will not be equaled for some months, particularly if the Federal Reserve Board's tight money policy continues to result in higher interest rates. For now borrowing costs have reached a point where companies planning investments in capital goods, such as material-handling equipment, must evaluate the savings effected with the use of such equipment against the high interest rates, and also against the risks that accompany going into debt. But there are excellent prospects that materials-handling investments will continue next year to run along at a rate slightly better than the average for this year, although they may not be equal to the peak levels of this year's best months.

The Material Handling Equipment Institute estimates that sales of materials-handling equipment manufacturers this year will exceed the 1955 all-time high by 10%. A survey by the institute shows that equipment-makers are expecting that their sales in 1957 will show a gain of slightly less than 10% over the 1956 total. Some producers are anticipating gains of 15%, and others believe they will do no better than equal this year's total.

Rush to Beat Price Boosts

Materials-handling producers reported that second quarter bookings were 17% higher than the first quarter of 1956 and 34% higher than the second-quarter bookings of 1955. The second-quarter total was the highest reported by the industry in three years.

This unusual activity in the second quarter probably stemmed partly from the race of customers to book orders before manufacturers' price rises became effective. With higher steel prices and higher labor costs regarded as inevitable around mid-year, buyers felt that it was wise to get their orders in before July 1.

Makers of materials-handling equipment fall into several groups. One group consists of makers of lift trucks and portable elevators. Another group consists of members of the Caster Floor Manufacturers Association. A third important group consists of the conveyor-equipment manufacturers. Overhead traveling cranes, hoists and monorail systems constitute another category of materials-handling equipment.

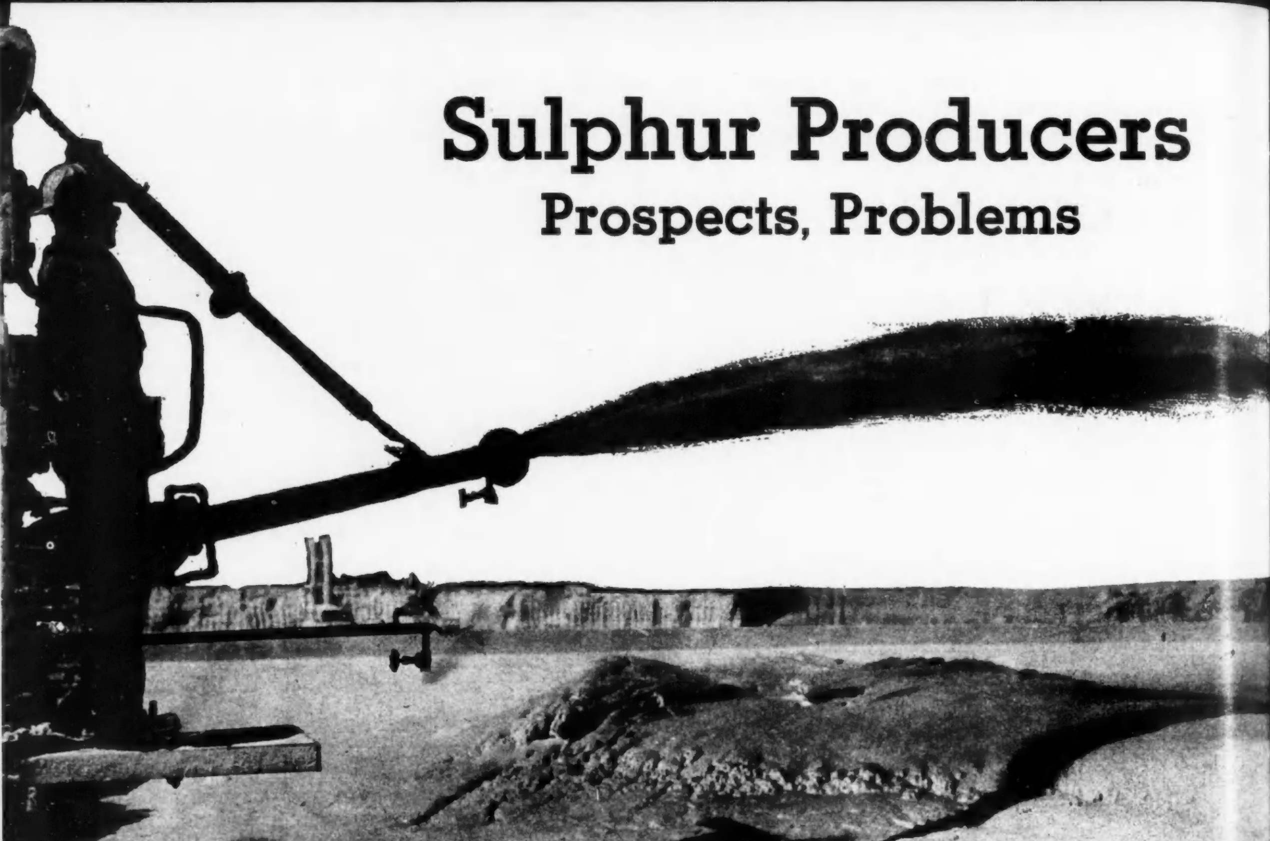
Growth has been (*Continued on page* 100)

12 With A Stake In Materials Handling

	1954		1955		1956					
	Net Sales (mil.)	Net Per Share	Net Sales (mil.)	Net Per Share	1st 6 months Net Sales (mil.)	1st 6 months Net Per Share	Annual Indicated Div. Rate	Recent Price	Price Range 1955-56	Div. Yield
Allis-Chalmers Mfg.	$492.9	$3.60	$535.0	$3.03	$294.2	$1.44	$2.00	32	40½-30⅝	6.2%
American Chain & Cable	72.2	3.29	101.1	5.75	60.5	3.66	2.50	53	54½-35½	4.7
Chain Belt	39.5	3.87	45.2	5.66	42.4[1]	4.89[1]	3.25	64	75½-43⅝	5.0
Clark Equipment	101.9	2.51	150.6	4.23	75.7	2.01	2.00	56	75½-26½	3.5
Harnischfeger Corp.	62.4	3.53	66.2	2.02	37.3	1.68	1.60	35	41½-23¾	4.5
Hewitt-Robins Inc.	35.5	2.82	47.1	4.21	25.6	1.34	2.00	36	46½-31⅛	5.5
Joy Manufacturing	65.1	2.12	81.9	3.18	89.8[2]	4.50[2]	1.85[2]	56	63⅞-20⅞	3.3
Link-Belt	111.2	3.24	129.4	4.45	82.3	2.88	3.00	68	73 -46¼	4.4
Otis Elevator	118.6	2.36	120.8	3.00	63.3	1.38	2.00	43	50¾-30½	4.6
Penn-Texas Corp.	13.3	.79	81.0	.57	58.7	.81	.35[3]	12½	22⅞-12⅛	2.8
Towmotor Corp.	17.5	1.36	23.4	2.93	15.1	2.07	1.20	31	35¾-10¾	3.8
Yale & Towne Mfg.	87.8	1.15	104.9	2.50	62.2	1.50	1.50	29	34⅛-20⅞	5.1

[1]—9 months ended July 31. [2]—9 months ended June 30. [3]—Plus stock.

Sulphur Producers
Prospects, Problems



By L. A. Lukens

It hasn't, as yet, developed into a formidable threat, but American sulphur producers are keeping a wary eye on sulphur doings down Mexico way.

For years, fully 90% of the world's native sulphur production has come from the salt dome deposits situated chiefly in the Gulf Coast area of Louisiana and Texas. Output from these domes in 1955 totaled about 5.7 million tons, this being approximately 82.6% of an estimated production for the year of 6.9 million tons, including sulphur recovered from gases which contributed 390,000 tons, sulphur contained in pyrites 400,000 tons and sulphur from other sources 410,000 tons.

While total output ran 250,000 tons ahead of the preceding year, domestic consumption plus exports outdistanced this increase, rising 400,000 tons to an estimated 7.1 million tons. On the basis of these figures, actual 1955 production of U. S. sulphur from all sources fell short of matching domestic consumption and exports by approximately 200,000 tons.

Developments Below Rio Grande

Why, that being the case, this great concern in sulphur developments south of the border? The answer is found in the reports that have been coming up from the Isthmus of Tehuantepec in the state of Veracruz, Mexico. This is the area which only a few years ago was a veritable jungle. Today, almost the entire width and 180-mile length of the isthmus is being probed for additional sulphur deposits following the discovery and proving of, so far, five sulphur domes and close to 100 million tons of reserves.

Although sulphur has been found in abundance throughout the world in the form of metallic sulphides, principally pyrites, natural sulphates, and sulphide gases linked with petroleum and natural gas, the most valuable deposits are those of native sulphur, or brimstone, especially where it occurs in salt-dome deposits from which it can be mined by the Frasch process.

This not only is a low-cost method but sulphur so produced is purer and easier to use than that from any other source. As a matter of fact, the Frasch method of sulphur-mining made the U. S. a major factor in world sulphur production and contributed much to the growth of this country's big sulphur producers which (in the order of tonnage output) include Texas Gulf Sulphur Co., Freeport Sulphur Co., Jefferson Lake Sulphur Co., and Duval Sulphur & Potash Co., the latter being about 74.7% owned

by United Gas Corp.

In the Frasch process, a well is drilled into the sulphur formation. The well is equipped with a trio of concentric pipes of different diameters through which super-heated water—as high as 350 degrees F. —is forced under pressures up to 120 pounds per square inch into the formation to melt the sulphur. Through another pipe, compressed air forces the molten, virtually pure sulphur to the surface where it is sprayed into storage vats to cool and solidify.

The Mexican Sulphur Producers

From a production standpoint, the Mexican sulphur producers, using the Frasch process, should be able to operate on better than even terms, considering the lower wage scales in that country compared with their contemporaries in the U. S. Because of the estimated huge reserves in known deposits on the isthmus and the likelihood of additional sulphur formations being developed, predictions are that eventually Mexico will become the foremost native sulphur-producing country of the world. This goal, however, in all probability will not be attained next year, or the one after that. What has been achieved so far has been about 10 years in the doing, which began with the original exploratory work by the Brady boys, a trio of brothers who first became interested in the isthmus' sulphur potentials as a result of their activity in prospecting for oil in the area. From this beginning they brought into existence Mexican Gulf Sulphur Co. and the Gulf Sulphur Corp., later selling their interests in both companies to a Texas-New York combine. Mexican Gulf Sulphur, with the blessings of the Export-Import Bank, manifested by a $3.9 million loan, invested over $6 million in production facilities begun in 1952. Through its Mexican subsidiary the first sulphur shipment from its San Cristobal, Veracruz, plant, was made in June, 1954. Simultaneously, it constructed dock facilities at Coatzacoalcos to accommodate two ocean-going vessels at a time.

Enthusiasm Developed Too Soon

At the time of making the initial sulphur shipment, Mexican Gulf announced that its San Cristobal plant had been designed to produce 200,000 tons of sulphur a year and could be economically expanded to produce 500,000 tons annually as additional reserves were developed. The company's stock, traded in the over-the-counter market, reflecting speculative enthusiasm, ran up to a 1955 high of 11⅞, only to drop from that pinnacle to where currently it is quoted around 1⅝ bid, 1¾ asked. This downgrading of the issue marketwise reflects Mexican Gulf's difficulties. From its property, once appraised as one of the richest on the isthmus, production has fallen to a trickle, due perhaps to technical difficulties, but even so, it is difficult to pass unheeded the ominous statement attributed to the company's president to the effect that "we can only hope and pray that we find an ore body from which we can produce profitably." It could be that Mexican Gulf Sulphur got off to too fast a start. Obviously, it is now in serious difficulties.

Two Other Mexican Producers

What could prove a boon to the company would be a merger with Gulf Sulphur Corp. Conversations with this in mind, it is understood, have been going on between company officials. Gulf Sulphur, through its wholly-owned subsidiary, got into production only last May. Output recently was increased to 500 tons a day and could be further raised to 1,000 tons. In its first earnings statement since production got underway, it showed, for the six month ended June 30, a deficit of 10 cents a share on the 2,337,048 common shares currently outstanding.

With production at a 500-ton daily rate through the final half of the year, and with certain non-recurring expenses out of the way, the company should be able to wind up 1956 in the black.

The merger talks continue to be a matter for conjecture. The advantage to Mexican Gulf Sulphur would be that it would get the benefit of Gulf Sulphur's technical staff while the latter would have the use of Mexican Gulf's port facilities, installed at a cost of approximately $750,000, and the plants of both companies which are close to each other could be operated under a single management.

Of the three producing companies operating on the isthmus, Pan American Sulphur Co., appears to have made the greatest progress. This company is another Brady creation that has been financed by Texas oilmen. It has a 23,500-acre concession on the isthmus where its wholly-owned Mexican subsidiary has developed the Jaltipan Dome with current reserves put at above 30 million tons of sulphur. Production got underway in 1955, total output for that year amounting to approximately 400,000 tons, from which it netted income of $378,028, equal to 20 cents a share on its 1,886,291 common shares then out- (*Please turn to page* 108)

Major Sulphur Producers in U. S. and Mexico

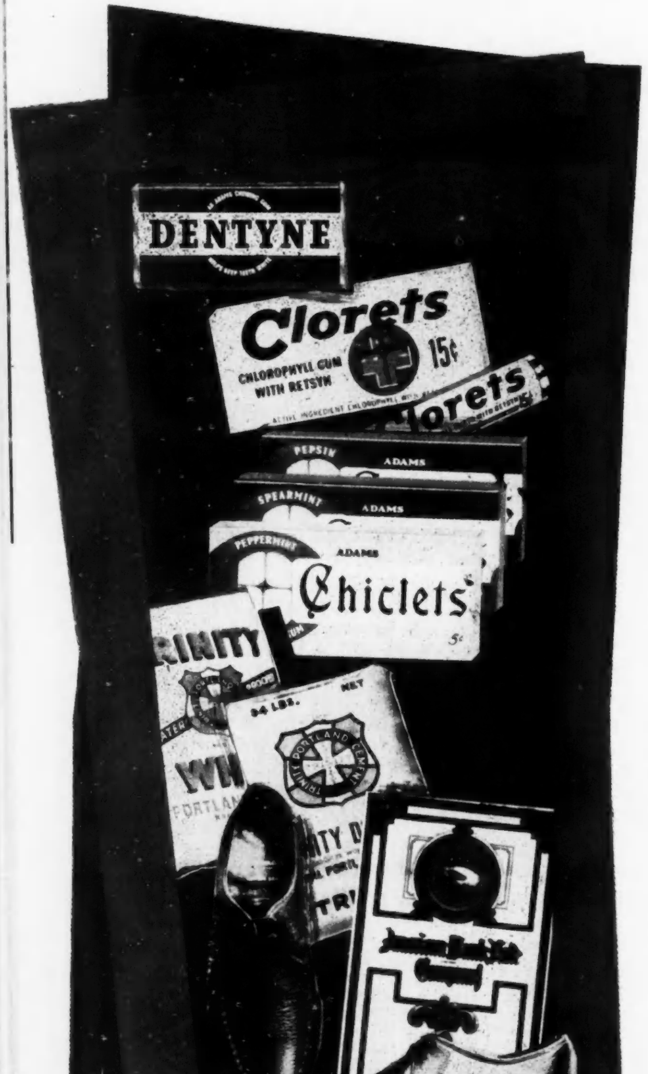
	1954		1955		1956 1st 6 Months					
	Net Sales (mil.)	Net Per Share	Net Sales (mil.)	Net Per Share	Net Sales (mil.)	Net Per Share	Indicated Div. Rate	Price Range 1955-56	Recent Price	Div. Yield
DUVAL SULPHUR & POTASH	$13.3	$3.07	$13.3	$3.06	$ 6.6	$1.61	$1.25	52⅝-25	34	3.6%
FREEPORT SULPHUR	57.3	4.20	63.2	4.96	34.2	2.71	3.00	98¾-68	87	3.4
GULF SULPHUR	NA	NA	NA	NA	NA	d .10	—	13¾- 8½	9	—
JEFFERSON LAKE SULPHUR	8.8	3.01	9.2	2.32	NA	1.41	1.60	48⅜-26	33	4.8
MEXICAN GULF SULPHUR	.2	d .52	1.5	d1.18	.3	d 40	—	11⅞- 1⅛	1½	—
PAN AMERICAN SULPHUR	NA	—	3.3	.20	8.2[1]	1.01[1]	.25	33 -22¼	25	1.0
TEXAS GULF SULPHUR	84.5	3.05	93.5	3.23	44.6	1.47	2.00	44⅞-29⅝	30	6.6

d—Deficit. 1—12 months ended August 31. NA—Not available.

Prosperity Without Diversity

Single-Product Companies Faring Well With Mainstays

By JAMES HASKELL



There is the classical fable about the beasts gathered in the forest, boasting of their large families. As we recall it, the hyena bragged he had six offspring, the jackal told of his eight children and the rabbit told of his 12 young ones. So it had gone for an hour, with one creature after another seeking to outdo the one who had spoken before.

When all the animals had spoken their piece, the puffed-up rabbit noted the lion had remained silent. "And how many children have you?" inquired the rabbit.

"I have only one," replied the king of the jungle, "but that one is a lion!"

Bucking the Trend

It is a far cry from the fabled forest to the industrial woods. Not many kingpin companies today are limited to a single offspring. This is the Age of the Rabbit, an era of industrial diversification, achieved by way of merger or through outright acquisition. In the process, the number of one-product companies has dwindled alarmingly. And the number of single-item companies that has burgeoned, while resisting the trend, is extremely small.

A better idea of the paucity of such entities may be gleaned from scanning the stock tables. Aside from an occasional cement, tobacco, gum, soft drink, shoe or food producer, the single-product company is fast disappearing from the financial lexicons. Few lions, aside from such specialized fields, stand on their feet in an age in which the fellow with the large family is king.

There is no dearth of these multiple-product operations, those companies with a bewildering product array stemming from the merger-acquisition vogue. A coal and iron company, which can trace its history back for nearly a century, has acquired a line of underwear. Food processors have expanded into chemistry, defense materiel and appliances. And the appliance manfacturer feels it no longer is enough to make a good gadget—he must have a well-rounded line. A textile manufacturer has added to his line merchant shipping, aircraft components, precision instruments and electronic devices. Distillers have become druggists.

Shoemakers that Stick to Their Last

Still some people have found that the grass also is green in their own backyard. By intensive cultivation, they have managed to fare rather well. These companies have found the limited line no

A Cross-Section of Single-Product Companies

	1946 Net Sales (Millions)	1946 Net Income (Millions)	1955 Net Sales (Millions)	1955 Net Income (Millions)	1955 Earnings Per Share	1956 Indicated Div. Per Share	Recent Price	Div. Yield
AMERICAN BANK NOTE	$ 17.5	$ 2.3	$ 21.4	$ 1.7	$ 2.45	$1.10	30	3.6%
AMERICAN CHICLE	27.3	5.1	50.8	5.9	4.19	3.00[1]	54	5.5
AMERICAN SUGAR	169.8	4.7	325.8	8.3	11.59	6.00	93	6.4
AMERICAN TOBACCO	764.1	29.8	1,090.8	51.6	7.45	5.00	75	6.6
COCA-COLA	125.4	25.3	252.8	27.4	6.44	5.00	106	4.7
CREAM OF WHEAT	7.8	1.4	10.5	1.1	1.88	1.85	28	6.6
HERSHEY CHOCOLATE	77.2	8.4	151.6	10.6	4.23	2.75	51	5.3
INTERNATIONAL SHOE	135.0	5.4	262.4	10.4	3.10	2.40	39	6.1
LONE STAR CEMENT	39.8	5.2	91.5	14.7	5.11	2.80	89	3.1
MELVILLE SHOE CORP.	63.8	3.8	114.4	6.3	2.24	1.80	29	6.2
NEHI CORP.	7.6	1.4	14.2	1.2	1.27	.80	14	5.7
SCHICK INC.	7.9	.8	24.6	2.5	2.08[2]	1.20[2]	20[2]	6.0[2]
TEXAS GULF SULPHUR	39.3	15.2	93.5	32.3	3.23	2.00	30	6.6
WRIGLEY (WM.) JR.	37.5	6.5	86.0	11.6	5.91	5.00	89	5.6

1—Plus stock. 2—Reflects adjustment of 2-for-1 stock split effective Oct. 16, 1956.

problem, judged on the basis of post-war earnings and dividends. While all have excellent records, their purchase, in all instances, should be deferred in the light of a stock market that is dogged by uncertainties.

AMERICAN CHICLE CO. is the second largest producer of chewing gum, a stable industry that has shown considerable growth in the post-war decade, aided by population increase. Sales in 1945 totaled $26 million. Thus, the record $50,815,000 registered last year represented a doubling of the volume within a decade. The net profit last year, totaling $5,989,000, equal to $4.61 a share, also established a new peak.

Its Chiclets and Dentyne, along with Adams line of gum, are the mainstays of the business. Stability of the business is reflected by the showing in the first six months of 1956, when net totaled $3,294,900, equal to $2.31 a share, based on the additional shares outstanding as the result of a 10% stock dividend paid this year. This compares with net of $3,030,800, or $2.12 a share, in the like 1955 period. The company is expected to retain the $3 annual payout of 1955 and 1954. In prior years, shareholders received $2.50 annually. This conservative income stock has a record of paying some dividend in each year since 1926.

MELVILLE SHOE CORP., literally, is a case of the shoemaker sticking to the last, with highly creditable results. Its New England factories produce the shoes that are sold in some 900 stores, situated in 426 cities across the country. Such names as Thom McAn, Miles and John Ward, above the lintel of these stores, are familiar to every American household.

Melville Shoe is another example of a single-product company that has doubled its volume over the post-war decade, soaring from less than $57 million in 1945 to a record $114,496,000 last year. Earnings also reached a new high, amounting to $6,355,000, equal to $2.24 a share. This compares with $5,980,000 and $2.11 a share in 1954.

Despite poor weather conditions at the Easter season and during the early spring, Melville Shoe racked up record sales and earnings for the first half of 1956. Net profit was $2,942,000, equal to 94 cents a share, compared with net of $2,914,000, or 93 cents a share, in the first half of 1955. Sales in the first half of this year soared to $58,333,000, from $53,431,000 a year earlier.

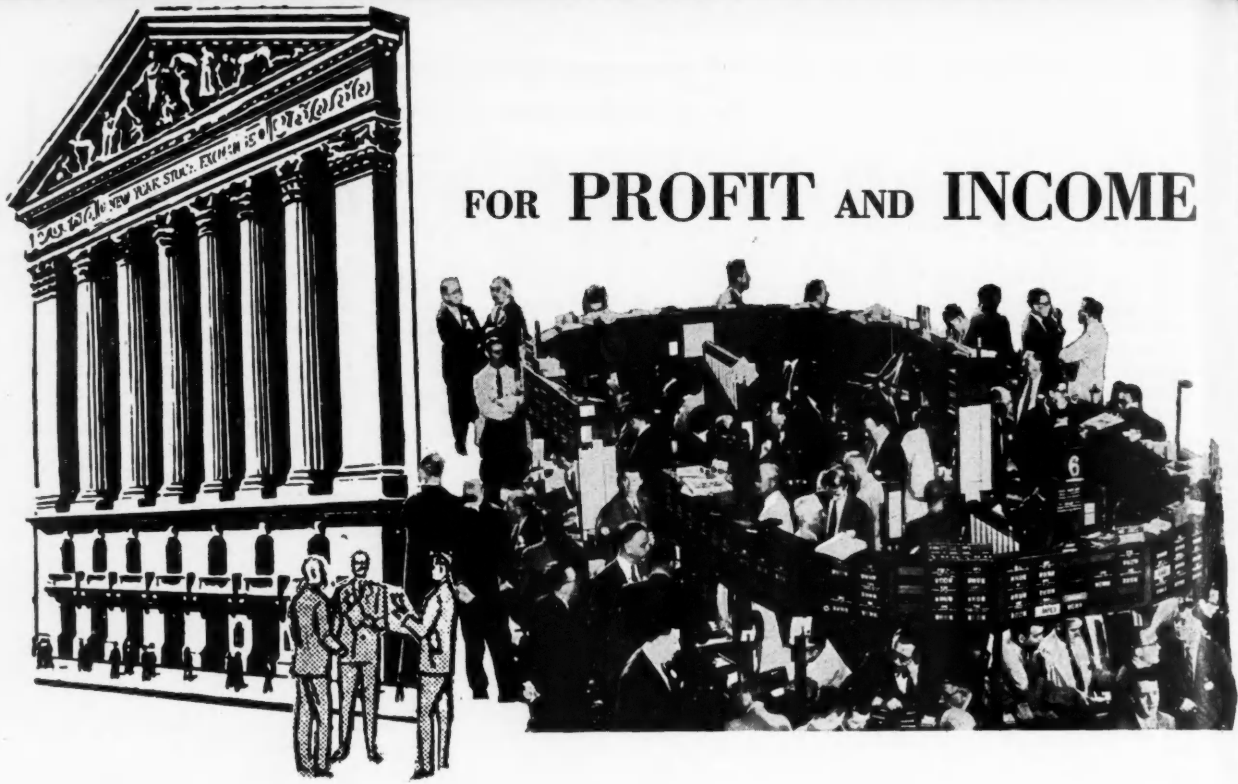
Melville Shoe is no less determined to grow than the most aggressive diversifier. Only the Melville growth has come within the business that made it one of the leading manufacturers and retailers of footwear. Its steady growth has been achieved by entering new and expanding markets, with major enphasis on shopping centers. Store sales have had an unbroken rise since 1951. They reached $106,722,000 last year. The balance came from sales to the Government and outlets other than its retail stores.

Melville Shoe has been disbursing $1.80 annually to its common stockholders since 1948. Something new was added last year—1/20 of a share of 4% Series B $100 par cumulative preferred. This raised the 1955 payout to the equivalent of $2 per share. The company has paid dividends consecutively for 40 years, the span over which it has functioned as a corporation. Since it was organized in 1892, the operation has never had an unprofitable year. Like most one-product companies, its shares lack "kick," but the dividend is liberal for investors seeking an income producer of good quality.

CREAM OF WHEAT CORP., which produces the famed breakfast cereal of that name, has achieved a highly stable earnings and dividend record since it was listed on the New York Stock Exchange in 1929. Net has ranged from a low of $1.54 per share in 1942 to a high of $3.13 in 1929 and last year was $1.88. For the six months ended June 30, 1956, net profit was $445,000, equal to 74 cents a share, compared with $416,000 and 69 cents a share in the first half of 1955.

For all 1955, net sales were $10,502,000, an all-time high, and compared with $10,325,000 in 1954. The slight increase was due to a full year's benefit of price increases, which offset a small decline in unit sales. The decline in net last year to $1.88 a share from the $2.08 registered in 1954 was due primarily to the continued high cost of the wheat products from which (*Please turn to page* 96)

FOR PROFIT AND INCOME



Dollar Averaging

The most fool-proof long-pull investment method of building capital is to employ fixed amounts of accumulating savings in carefully selected growth stocks on a systematic dollar-averaging basis, making purchases on a regular schedule, whether monthly, quarterly or semi-annually. It avoids the wide margin for error involved in trying to "outguess" the market. It focuses attention on stock selection. It makes one much more inclined to emphasize investment quality, company strength and vigor, and long-range potentials. It assures a satisfactory long-term average of investment costs, since more shares will be bought at low than at high prices. Most pension trusts and some other funds make their equity investments about as continuously as new money therefor comes in. As we have pointed out before, sticking to a dollar-averaging program requires real intestinal fortitude and patience on the part of individuals in the inevitable periods when, as recently, their stocks move downward, and it is easy to become scared. But if you abandon an established dollar-averaging program, or significantly alter the scheduled purchase dates because you think the market will go lower, you lose the primary assurance that the method provides. If you have been dollar-averaging, keep it up. Otherwise, you are right back to fallible judgment in timing, to probable mistakes and to floundering.

Different

Regular purchases with accumulated savings generally involve commitments of modest to moderate amounts cash at any one time. Thus, the effect of normal market swings on average cost of total holdings can be nothing to worry about if programs have been in effect for any fairly extended period. The problem is entirely different for those holding important sums of cash for "one-shot" employment, and aiming at an opportune time. In our opinion, this is not an opportune time.

Example

Around 69, Dow Chemical is high on reported earnings, much less so on "cash-flow" earning power, a substantial part of which will, in time, translate into bookkeeping profits available for dividends. Judgment argues against buying the stock here—yet it remains entirely suitable for continuing accumulation in dollar-averaging programs heretofore started. It can go off as much as the industrial list in bear markets, as we have pointed out and detailed before. But the other side of the coin is that it rises more than the industrial list in

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Froedtert Corp.	Year July 31	$1.73	$1.41
Compo Shoe Machinery	6 mos. June 30	.54	.42
Baldwin Rubber Co.	Year June 30	2.28	1.70
Manati Sugar Co.	Year June 30	.62	.25
Consolidated Foods	Year June 30	1.77	1.54
Celotex Corp.	9 mos. July 31	4.97	3.50
Chesapeake & Ohio Rwy.	8 mos. Aug. 31	5.20	4.62
Chickasha Cotton Oil	Year June 30	2.02	1.35
Oklahoma Natural Gas	12 mos. July 31	2.21	1.76
Spencer Chemical Co.	Year June 30	4.73	4.04

bull markets, thus retaining an advantage in long-term capital building. Suppose you "play it by ear," instead of dollar-averaging. In that case, you will neither buy at a cyclical bottom nor sell at a cyclical top. You might miss both by a wide margin. Suppose you bought at 40 and decided the stock was high enough at 60, for a 50% gain. After the 25% maximum tax, you actually get the equivalent of 55. But the stock subsequently went to a recent high of 82⅞. Thus, it would have to decline over 33% from the high to permit you to break even on a buy-back operation. Whether it might fall that much is conjectural. If not, you have lost position. If it declines that much, probably you will hold out for more; and you could be wrong again. Against all this, people who have been dollar-averaging in the stock for some years are in a quite comfortable position, free of guessing and worrying about what the market may do.

Selections

But any portfolio, whether built on dollar-averaging in growth stocks, or otherwise, must be watched closely. Some judicious switches will inevitably become advisable from time to time, in line with changing company prospects. In selecting growth stocks — and others — the past record is only a partial guide. Is the potential for future growth of earnings still considerably better than average? Not if a company has become so large and mature that its previous rate of growth must be slowed. Not if increased competition significantly limits further growth of sales and/or of profits. Certainly at this stage, your standards in appraising alleged long-pull growth stocks should be tightened up. A good many of the "growth stocks" touted in recent years of bull-market optimism either have dubious claim on such a label or, in our view, a much less dynamic potential for additional profit growth than many imagine. To cite a few examples, we think that profit growth potentials have been materially reduced as compared with growth rates in the past five to 10 years—or that in some instances they have for some time been no better than average—in the case of the following stocks, all included heretofore in some touted "growth stock" lists: Bendix Aviation (competition), Carrier Corp. (competition), du Pont (bigness), General Electric (bigness and competition), Dixie Cup and Lily-Tulip Cup (competition), International Paper and most other paper stocks (too much expansion of capacity), Goodrich and other leading tire stocks (bigness and competition), Radio Corp. and most others in the electronics manufacturing field (with much sales growth indicated, profit potentials have been exaggerated all along).

Promising

Here is a partial list of companies which, in our view, are not yet approaching maturity, and which appear to be in line for considerably better than average longer-range growth of earnings: National Lead, Minnesota Mining & Manufacturing, Dow Chemical, Hercules Powder, Air Reduction, Johnson & Johnson, Merck, Pfizer, Outboard Marine, National Gypsum, American Airlines, Eastern Air Lines, Halliburton, Sunbeam Corp., Ex-Cell-O, Aluminum Company, Reynolds Metals, Owens-Corning Fiberglas, Florida Power & Light, Texas Utilities, McGraw-Hill, Phillips Petroleum, Shell Oil, and Southern Natural Gas. To cite them is not to urge current buying. Most, though not all, are high on the present reckoning.

What To Buy?

On a general view, at least for the medium term, cash looks like a better "buy" to us than stocks. You can "buy" cash by selling stocks, if you have not taken sizable profits on our advices heretofore. Cash yields not less than 2.5% in savings or time deposits. Short-term Treasury obligations, which are as good as cash, yield from slightly over 3% to nearly 3.5%, the highest in over a generation. Tax-exempt municipal bonds (seasoned issues) are on a current average yield basis around 3.05%, with somewhat higher yields available on selected new offerings. Yields on seasoned corporate bonds now average over 3.6%, those on selected, good-grade new offerings 4% or more. Representative good-quality preferred stocks are now on an average yield around 4.4%. Bonds and preferred stocks might go somewhat lower, but the major part of the adjustment to higher money rates has undoubtedly been seen; and possible vulnerability at this point is surely much less than potential vulnerability in most common stocks. We have heretofore advocated substantial enlargement of the portion of total portfolio assets represented by high-grade fixed-income securities. The advice still stands.

Income Stocks

Defensive-type common stocks remain suitable for holding, or buying at price concessions, by investors interested in maintenance of income. But they can decline, even though less than the general market; and yields in many instances are not much, if any, above those available on preferred stocks. Here are the percentage declines to date from 1956 or 1955 highs in some typical income-stock groups: electric utilities over 7%, natural gas stocks nearly 7%, confectionery 5%, small-loan stocks 7%, packaged foods over 10%, dairy products 7%, biscuit bakers 19%, variety chains 14%, shoe stocks 16%, tobacco stocks over 7%.

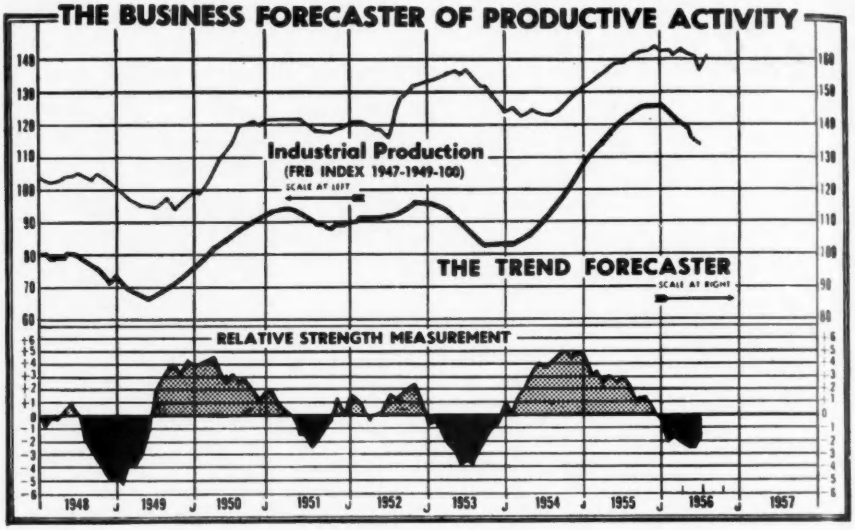
(*Please turn to page* 108)

Due to typographical transpositions, the increases and decreases in earnings, carried September 29, were inaccurate. A correct version is printed on pages 84, 85. Current tables are on page 108.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

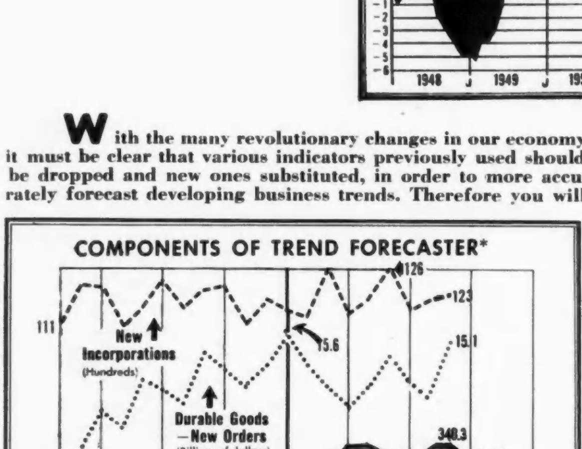
		1956	1955
Allied Stores Corp.	Quar. July 31	$ .45	$ .56
Great Northern Rwy.	8 mos. Aug. 31	2.94	3.12
Atlas Plywood Corp.	Year June 30	.15	.90
Illinois Central R.R.	8 mos. Aug. 31	4.85	5.28
New York Central R.R.	8 mos. Aug. 31	4.08	5.31
Lerner Stores Corp.	6 mos. July 31	.51	.72
Grant Co., W.T.	6 mos. July 31	.40	.58
Marathon Corp.	Quar. July 31	.66	.71
International Harvester	Quar. July 31	.62	1.18
Minute Maid Corp.	Quar. July 29	.50	1.04

the Business



Business Trend Forecaster

With the many revolutionary changes in our economy, it must be clear that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends. Therefore you will be greatly interested in the newly devised *Trend Forecaster*, developed over a period of several years, which employs those indicators which we have found to most accurately project coming trends in business.



*—Seasonally adjusted except stock and commodity prices.
(a)—3 month moving average.

We use the indicators (Components of Trend Forecaster) which are in this class and have been selected by us as the basis for the *Trend Forecaster* above. When the *Forecaster* changes its direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our new Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

Latest figures for components of the **Trend Forecaster** show improvement developing for some of the indicators. Housing starts, commodity prices and durable goods orders are currently in a rising trend; but this improvement is not reflected in two other key components, stock prices and business failures. Average hours worked and new incorporations have shown no dominant trend for several months.

The **Trend Forecaster** continued to decline during the summer, but the rate of decline has been dampened, and the **Relative Strength Measurement** has begun to rise, although still in minus territory.

All of this suggests that the adjustment of 1956, which was forecast by The **Trend Forecaster** earlier this year, has been interrupted and postponed into 1957, principally by virtue of artificial stimulants emerging out of the steel strike. However, with the 1956 edjustment still apparently uncompleted and the **Relative Strength Measurement** still failing to reach plus territory, it appears that further correction should again make itself felt starting earily in 1957.

Analyst

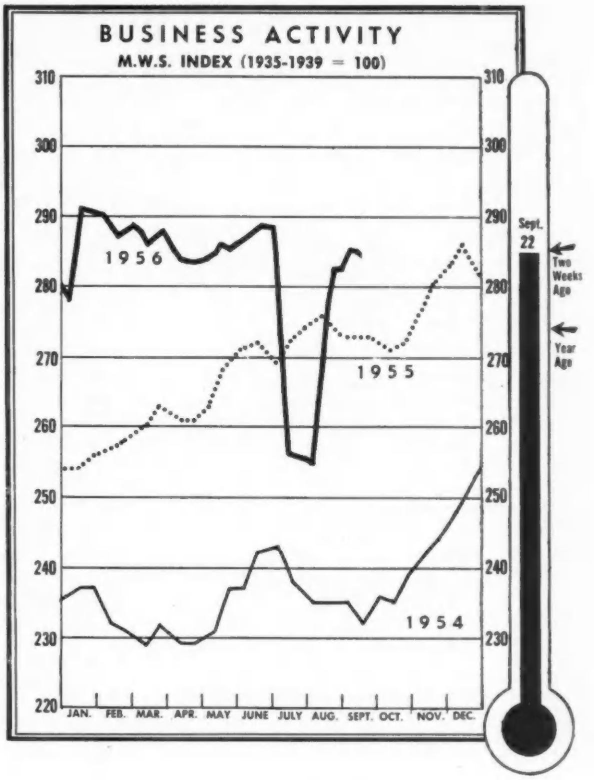
CONCLUSIONS IN BRIEF

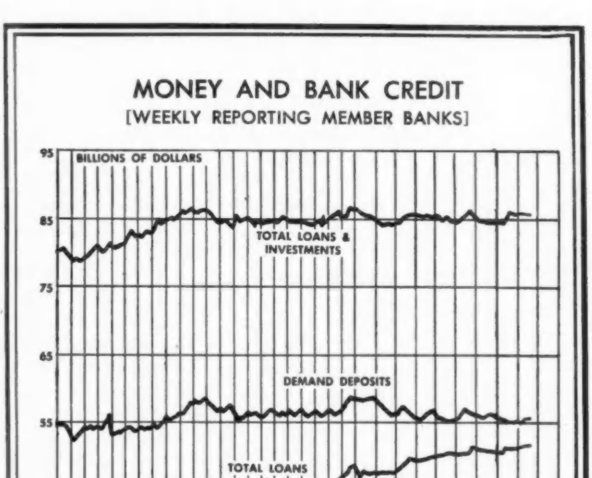
INDUSTRY — **Industrial production, taken as a whole, is now slightly higher than prior to the steel strike. The prospect of auto assemblies over 500,000 per month, full steel production, and climbing machinery output assure a moderate further gain through December.**

TRADE — **Retail volume is setting new records. Year-to-year gains of 4-6% in department store trade are assured through Christmas. The soft goods outlook is especially bright, notably for apparel. Hard goods sales are improving, but not sensationally.**

MONEY AND CREDIT — **There is a small but growing possibility that this is the high-water mark of credit tightness. Inventory borrowing for the fall is now well advanced; and marginal borrowing for expansion is faltering. Interest rates may hold at about current levels through tax-payment period next March.**

COMMODITIES — **prices still edging up, but not sharply. Heavy supply of finished goods (with a few exceptions in capital-goods lines) is preventing pronounced price increases. It's "creeping inflation", and it will continue to year-end.**





At mid-October, **the trend of business** since the mid-year steel strike has begun to take on focus and clarity. While important major segments of business have shown considerable improvement since late spring, the improvement has been piece-meal, rather than a genuine, pronounced, cyclical advance. The **steel strike provided a shake-up,** and a breaking of the pattern of gradual decline that prevailed in the first half; **it has not cured the basic problems,** and it **has left business with little long-term momentum.** The outlook through perhaps February of 1957 is now virtually assured by the spending plans of manufacturing industries, by the strong but shortlived stimulus provided by new automobile models, and by the improvement in soft-goods sales (forecast here in early summer) that has accompanied rising personal income.

But **no major new force has emerged to carry the boom** far into 1957, or to carry the industrial production index over the 145-150 range. **Inventory demand,** which has a powerful stimulative effect on production activity, is **not present in any important degree,** simply because inventories were ample even after five weeks of steel strike. (In fact, there is already a perceptible change in tone in the steel market itself: see below.) **Capital spending plans,** already at perilously high levels, **are certainly not being revised upward,** as they usually are during a business expansion (there is some evidence that they are being revised slightly downward). The price of money never eased during the so-called "straight-line recession" of early 1956, and the increased demand for money accompanying the present

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Aug.	141	136	140
Durable Goods Mfr.	1947-'9-100	Aug.	159	148	158
Nondurable Goods Mfr.	1947-'9-100	Aug.	127	127	125
Mining	1947-'9-100	Aug.	128	122	121
RETAIL SALES*	$ Billions	July	16.0	16.0	15.5
Durable Goods	$ Billions	July	5.5	5.5	5.6
Nondurable Goods	$ Billions	July	10.5	10.5	9.8
Dep't Store Sales	1947-'9-100	July	128	124	125
MANUFACTURERS'					
New Orders—Total*	$ Billions	Aug.	28.9	27.0	28.7
Durable Goods	$ Billions	Aug.	15.1	13.5	15.1
Nondurable Goods	$ Billions	Aug.	13.8	13.5	13.6
Shipments*	$ Billions	Aug.	27.5	26.2	27.2
Durable Goods	$ Billions	Aug.	13.6	12.6	13.7
Nondurable Goods	$ Billions	Aug.	13.9	13.5	13.5
BUSINESS INVENTORIES, END MO.*	$ Billions	July	85.7	85.6	79.2
Manufacturers'	$ Billions	July	49.1	49.1	43.9
Wholesalers'	$ Billions	July	12.8	12.7	11.9
Retailers'	$ Billions	July	23.8	23.8	23.4
Dept. Store Stocks	1947-'9-100	July	138	137	127
CONSTRUCTION, TOTAL	$ Billions	Aug.	4.3	4.2	4.2
Private	$ Billions	Aug.	2.8	2.8	2.9
Residential	$ Billions	Aug.	1.4	1.4	1.6
All Other	$ Billions	Aug.	1.4	1.4	1.3
Housing Starts*—a	Thousands	Aug.	1,110	1,070	1,346
Contract Awards, Residential—b	$ Millions	Aug.	874	758	835
All Other—b	$ Millions	Aug.	1,195	1,391	1,060
EMPLOYMENT					
Total Civilian	Millions	Aug.	66.8	66.7	65.0
Non-Farm	Millions	Aug.	51.8	50.9	50.5
Government	Millions	Aug.	7.0	6.9	6.7
Trade	Millions	Aug.	11.0	11.2	10.7
Factory	Millions	Aug.	13.2	12.6	13.3
Hours Worked	Hours	Aug.	40.3	40.0	40.6
Hourly Earnings	Dollars	Aug.	1.98	1.97	1.88
Weekly Earnings	Dollars	Aug.	79.79	78.80	76.33
PERSONAL INCOME*	$ Billions	July	324.5	324.9	309.2
Wages & Salaries	$ Billions	July	224	225	215
Proprietors' Incomes	$ Billions	July	51	50	49
Interest & Dividends	$ Billions	July	30	30	27
Transfer Payments	$ Billions	July	19	19	18
Farm Income	$ Billions	July	15	15	15
CONSUMER PRICES	1947-'9-100	Aug.	116.8	117.0	114.5
Food	1947-'9-100	Aug.	113.1	114.8	111.2
Clothing	1947-'9-100	Aug.	105.5	105.3	103.4
Housing	1947-'9-100	Aug.	122.2	121.8	120.0
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Aug.	106.2	106.9	105.5
Bank Debits*—g	$ Billions	Aug.	80.8	78.3	74.7
Business Loans Outstanding—c	$ Billions	Aug.	29.2	29.2	24.2
Instalment Credit Extended*	$ Billions	Aug.	3.1	3.1	3.2
Instalment Credit Repaid*	$ Billions	Aug.	2.9	3.0	2.7
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Aug.	5.0	3.5	4.7
Budget Expenditures	$ Billions	Aug.	5.9	5.5	6.2
Defense Expenditures	$ Billions	Aug.	3.5	2.8	3.4
Surplus (Def) cum from 7/1	$ Billions	Aug.	(0.9)	(2.1)	(1.5)

PRESENT POSITION AND OUTLOOK

modest improvement in business is holding interest costs at very restrictive levels. At such interest levels, equity prices are being subjected to persistent downward pressure, particularly with respect to those blue-chip issues on which yields have recently run well below the 4% now obtainable in the bond market.

MWS continues to maintain that this is not the ground from which a major improvement in general business conditions can spring. It accordingly continues to urge **caution** with respect to business and investment decisions over the next **fifteen months,** regardless of the apparently favorable business statistics that will appear in the next **three months.**

* * *

THE PRICE TREND—The upward trend of the general price level is now about fourteen months old, and there is good reason to expect that it will continue for another several months. However, it's essential to look below the broad price averages.

For this is **not** a simple **across-the-board inflation.** The fact is that it is predominantly a "cost" inflation, not a "selling-price" inflation. And it's **striking** not so much at consumer purchasing power as at **business profit margins.** For example, the selling prices of capital goods, which business buys, have risen four times faster than the selling prices of consumer durables over the past year. And intermediate, semi-processed materials and components, which business buys to feed its production lines, have risen much faster than the level of consumer prices. In other words, **rising wages, and high demand for capital goods, are pulling up the prices of things business itself must buy.** But very little of this additional cost is being passed on to the consumer. **Result: a growing pressure on corporate profits.** Profits reports for the fourth quarter are likely to be generally higher than the third quarter, for seasonal reasons and also because of the third-quarter impact of the steel strike and the trough in auto production. But they are not likely to be as good as the record earnings rates reported in the first half of the year.

* * *

STEEL: AVAILABLE, OR NOT AVAILABLE? It is one of the paradoxes of the steel strike that after two months of renewed production, those steel items that were short before the strike are still short: those that were in ample supply before the strike are still ample. All the publicity about steel shortages revolves

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1956 II Quarter	1956 I Quarter	1955 IV Quarter	1955 II Quarter
GROSS NATIONAL PRODUCT	408.3	403.4	401.9	387.4
Personal Consumption	263.7	261.7	259.5	251.8
Private Domestic Invest.	64.2	63.1	65.1	60.2
Net Foreign Investment	1.7	0.1	—0.8	—0.9
Government Purchases	78.7	78.5	78.1	76.2
Federal	46.1	46.4	47.2	46.3
State & Local	32.6	32.1	30.9	29.9
PERSONAL INCOME	322.9	317.5	314.6	303.8
Tax & Nontax Payments	38.1	37.3	36.3	35.3
Disposable Income	284.9	280.2	278.4	268.5
Consumption Expenditures	263.7	261.7	259.5	251.8
Personal Saving—d	21.2	18.6	18.8	16.7
CORPORATE PRE-TAX PROFITS*	43.5(f)	43.7	46.4	41.1
Corporate Taxes	22.0(f)	22.1	23.4	20.7
Corporate Net Profit	21.5(f)	21.6	23.0	20.3
Dividend Payments	12.2	11.8	12.1	10.7
Retained Earnings	9.3(f)	9.8	10.9	9.6
PLANT & EQUIPMENT OUTLAYS	34.5	32.8	31.5	27.2

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Sept. 22	284.2	285.3	273.0
MWS Index—per capita*	1935-'9-100	Sept. 22	219.6	220.4	214.3
Steel Production	% of Capacity	Sept. 29	100.2	100.6	97.0
Auto Production	Thousands	Sept. 29	54.8	52.7	144.5
Paperboard Production	Thousand Tons	Sept. 22	273	281	294
Lumber Production	Thous. Board Ft.	Sept. 22	267	260	180
Electric Power Output*	1947-'49-100	Sept. 22	219.8	215.8	205.9
Freight Carloadings	Thousand Cars	Sept. 22	822	821	819
Engineering Constr. Awards	$ Millions	Sept. 27	483	381	266
Department Store Sales	1947-'9 100	Sept. 22	131	130	121
Demand Deposits—c	$ Billions	Sept. 19	55.9	55.8	56.3
Business Failures	Number	Sept. 20	262	203	171

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge, for 37 states. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau. (na)—Not available. (r)—Revised. (l)—First Quarter.

PRESENT POSITION AND OUTLOOK

around plate, tube, structurals and heavy-gauge bar, which were hard to get long before the strike. Freight car builders, some heavy machinery builders, constructors, and oil well-drillers are certainly scrounging for steel, but for the rest **steel supply is not a crucial problem.** The fact is, the steel situation is already past its widely forecast "crisis"; another example of the tremendous supply potential hanging over American markets.

* * *

BRIGHT DAYS FOR SOFT GOODS ARE HERE—With retailers ringing up well over $16 billion a month, about $10½ billion is being done by the traditional "soft-goods" dealers: mail-order and department stores, drug stores, service stations, food stores, apparel stores. While the hard-goods dealers—appliance and furniture stores, and new and used automobile dealers, and building materials dealers—struggle to equal last year's volume, soft-goods merchants are running well over 5% ahead. Part of the gain represents recent price increases, to be sure. But all the facts point to **booming demand for nondurables.** Consumers are in a mood to buy, and are interested in better-grade merchandise. During the winter lull in auto sales, soft-goods are expected to blossom to the highest level on record.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1956 Range High	1956 Range Low	1956 Sept. 21	1956 Sept. 28
300 Combined Average	352.4	315.9	337.3	327.9
4 Agricultural Implements	327.1	245.3	248.6	245.3L
3 Air Cond. ('53 Cl.—100)	113.8	98.8	102.8	98.8
9 Aircraft ('27 Cl.—100)	1339.7	1064.6	1279.9	1232.1
7 Airlines ('27 Cl.—100)	1117.4	919.0	939.9	919.0L
4 Aluminum ('53 Cl.—100)	566.7	337.1	500.0	459.3
6 Amusements	172.3	147.2	159.7	153.5
9 Automobile Accessories	373.7	334.5	355.9	345.2
6 Automobiles	52.2	47.1	50.7	49.2
4 Baking ('26 Cl.—100)	28.7	26.1	26.1	26.1
3 Business Machines	1171.3	831.5	1081.9	1055.0
6 Chemicals	652.3	556.5	574.5	556.5
4 Coal Mining	23.5	19.2	22.9	22.1
4 Communications	114.3	98.6	101.8	98.6L
9 Construction	140.0	112.3	134.0	131.6
7 Containers	853.7	731.7	800.3	769.8
7 Copper Mining	361.3	283.7	328.5	319.5
2 Dairy Products	122.3	111.7	114.1	112.9
6 Department Stores	91.8	85.3	89.0	87.1
5 Drugs-Eth. ('53 Cl.—100)	198.3	165.0	186.0	177.3
6 Elec. Eqp. ('53 Cl.—100)	222.7	178.9	208.1	200.7
2 Finance Companies	613.7	542.2	554.1	542.2
6 Food Brands	301.6	278.2	284.0	278.2L
3 Food Stores	175.3	157.6	173.7	172.1

(Nov. 14, 1936 Cl.—100)	High	Low	1956 Sept. 21	1956 Sept. 28
100 High Priced Stocks	244.6	209.2	229.7	222.8
100 Low Priced Stocks	411.1	378.9	395.8	384.3
4 Gold Mining	882.7	689.9	719.5	689.9L
4 Investment Trusts	171.2	150.8	155.5	152.4
3 Liquor ('27 Cl.—100)	1076.2	974.7	1025.5	1025.5
9 Machinery	490.0	370.4	478.4	459.1
3 Mail Order	217.3	184.4	191.0	184.4L
4 Meat Packing	170.7	127.7	143.8	141.1
5 Metal Fabr. ('53 Cl.—100)	213.2	183.3	194.5	190.7
10 Metals, Miscellaneous	464.9	400.4	413.3	400.4L
4 Paper	1312.3	997.3	1091.8	1039.3
22 Petroleum	872.3	675.8	803.1	782.3
21 Public Utilities	264.0	246.4	251.4	246.4
7 Railroad Equipment	95.1	84.3	87.0	84.3L
20 Railroads	82.0	69.8	72.9	69.8L
3 Soft Drinks	544.8	444.3	454.9	444.3L
12 Steel & Iron	361.8	283.8	352.4	336.9
4 Sugar	69.9	60.1	69.9	68.0
2 Sulphur	950.2	794.9	849.7	813.2
11 Television ('27 Cl.—100)	44.5	35.8	37.5	35.8L
5 Textiles	184.4	143.8	145.7	145.7
3 Tires & Rubber	201.0	169.9	177.2	171.7
5 Tobacco	96.7	86.3	90.1	86.3L
2 Variety Stores	298.8	272.7	275.6	272.7L
15 Unclassif'd ('49 Cl.—100)	164.2	144.8	158.3	153.8

L—New Low for 1956.

Trend of Commodities

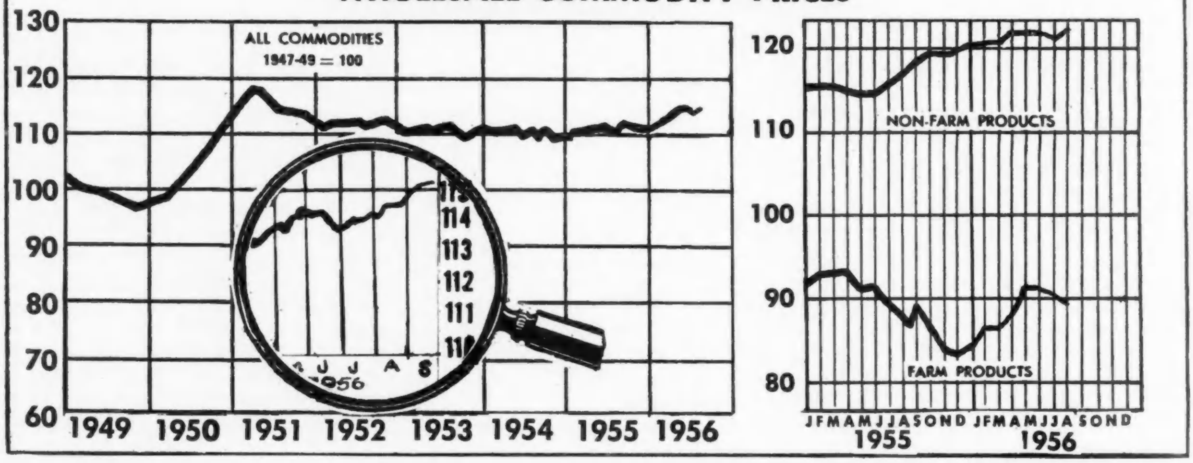
SPOT MARKETS — The upward trend of sensitive commodity prices came to a halt early in September and has been succeeded by a sidewise movement. The Bureau of Labor Statistics' index of 22 such commodities closed at 91.7 on September 28, unchanged from two weeks earlier.

In all the recent talk about inflation, it should be noted that spot commodities, as measured both by the BLS index and the MWS Raw Materials Index, have failed even to reach the highs set in early April of this year. In fact inflation may be a misnomer for recent price developments, which spring, not from an increase in the money supply, but principally from higher wage costs. As a result, certain products have been boosted in price while others have failed to participate. The test of recent increases will soon be staged over store counters, where consumers may be resistant to price mark ups.

FUTURES MARKETS — Futures markets continued to respond to individual influences in the two weeks ending September 28, and there was little evidence in this sector of an inflationary trend. Most imported commodities were backward as the Suez crisis simmered down somewhat and large supplies began to make themselves felt.

Nearby wheat futures were somewhat lower in the fortnight ending September 28 and the December option lost 1 cent to close at 229½. Two important influences on wheat prices are the amount of land to be placed in the soil bank "reserve" and the size of wheat entries into the loan program. Progress reports on both programs are due soon. Meanwhile, a sidelines position seems warranted in view of the big price advance since the end of June.

WHOLESALE COMMODITY PRICES



BLS PRICE INDEXES
1947-49—100

	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Sept. 25	115.2	115.1	111.7	60.2
Farm Products	Sept. 25	89.4	90.1	89.3	51.0
Non-Farm Products	Sept. 25	122.6	122.6	118.5	67.0
22 Basic Commodities	Sept. 28	91.7	91.7	90.8	53.0
9 Foods	Sept. 28	82.7	82.1	79.8	46.5
13 Raw Ind'l. Materials	Sept. 28	98.4	98.9	99.1	58.3
5 Metals	Sept. 28	125.6	127.3	121.1	54.6
4 Textiles	Sept. 28	80.8	80.6	79.2	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100

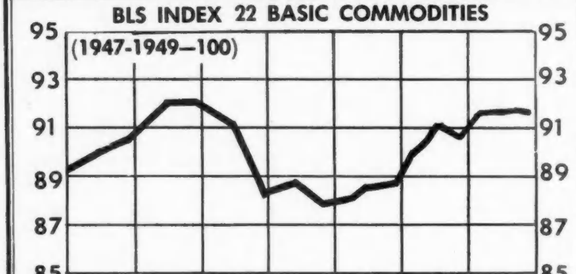
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1956	1955	1953	1951	1945	1941
High of Year	169.8	164.7	162.2	215.4	98.9	85.7
Low of Year	163.1	153.6	147.9	176.4	96.7	74.3
Close of Year		164.7	152.1	180.8	98.5	83.5

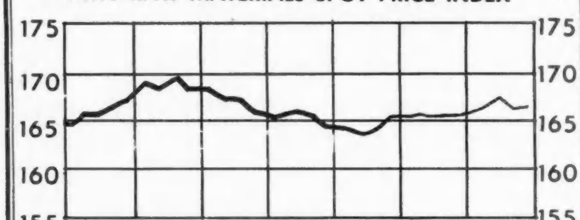
DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1956	1955	1953	1951	1945	1941
High of Year	161.4	173.6	166.5	214.5	106.4	84.6
Low of Year	149.8	150.7	153.8	174.8	93.9	55.5
Close of Year		153.1	166.8	189.4	105.9	84.1

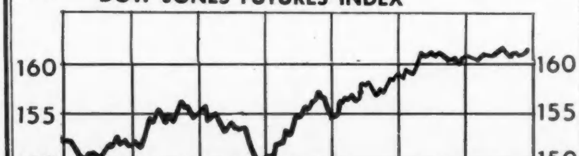
BLS INDEX 22 BASIC COMMODITIES



MWS RAW MATERIALS SPOT PRICE INDEX



DOW JONES FUTURES INDEX



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The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. **Give all necessary facts, but brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
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Food Machinery & Chemical Corp.

Will you please give me some detailed information on Food Machinery & Chemical? I am particularly interested in knowing its fields of operations and its earnings record.

W. A. W., Elmira, N. Y.

Food Machinery & Chemical Corp. is a highly diversified manufacturer of agricultural and industrial chemicals and agricultural and industrial machinery. Through its Ordnance Division it is also a producer of armored infantry vehicles, missile handling and launching equipment and other military products.

Last year, total gross income of $264,619,766 was made up of agricultural and industrial chemicals sales of $126.1 million, or 47.7% of the whole, while agricultural and industrial machinery contributed 35.3%, with the balance of 17.0% being contributed by military products.

Its chemical divisions, encompassing 28 production units located throughout the U. S., and extending into Canada and Mexico, produce an extensive number of basic and specialty chemicals for practically every segment of industry and agriculture. The machinery divisions, with 37 plants throughout the Free World, serve the food processing, agricultural and industrial fields. Output of these latter divisions include a variety of products such as canning and freezing equipment, packaging equipment, and packing and processing equipment for food processing companies. Other products are fire fighting equipment, pumps and waste disposal equipment, water systems, as well as poultry and hog raising equipment, industrial castings and outdoor power equipment. In addition, Food Machinery & Chemical, jointly with the Tennessee Gas Transmission Co., owns the Petro-Tex Chemical Corp., a major producer of petrochemicals.

Recently, FMC extended its operations in the packaging field through acquisition of the Hudson-Sharp Co., a foremost manufacturer of wrapping machinery and specialized equipment for converting plastic films and paper. Hudson-Sharp's wrapping machines are used widely to automatically package candy bars, bakery goods, and a variety of other products. Included in the company's production are a line of printing presses designed to handle paper and plastic film packaging materials, as well as special purpose mill equipment required in the preparation of paper napkins, tissues, and other paper and film products. This latest acquisition, completed only a few weeks ago through an exchange of stock, rounds out FMC's current activities in the design and production of diversified packaging equipment.

In the five years to the end of 1955, consolidated net sales of Food Machinery & Chemical and subsidiaries have increased from $151.8 million to $264.6 million, a gain of 74%, while net income has moved up from $9.7 million to $14.8 million, an increase of 54%. Net income for 1955 was equal to $4.53 a share, compared with $3.80 a share for the preceding year.

In the first six months of 1956 business volume and after-tax income were the highest of any corresponding periods in the company's history. Gross revenue for the six months to June 30 totaled $152.8 million which was approximately $15.2 million above the like months of 1955. Net earnings for the 1956 half-year increased to $5.1 million, equal to $2.76 a share, compared with $4.7 million or $2.45 a share a year ago.

Dividends, currently being paid at a 50-cent quarterly rate, have been distributed in each of the past 21 years.

Last July, FMC increased its outstanding debenture bonds by the issuance of $30 million of 25-year sinking fund debentures carrying a 3.80% interest rate. The funds realized from this sale will be used to provide additional working capital, to take care of expenditures for modernizing and expanding production facilities, and to retire outstanding indebtedness under a term bank credit agreement. A portion of the new funds will be used for an additional investment in the Petro-Tex Chemical Corp., in connection with the expansion program of that company.

Although operations at the company's largest chemical manufacturing plant were hampered by a 47-day strike the results of which may adversely affect third-quarter earnings, continued good demand for company products through the remaining months of the year should bring earnings

(*Please turn to page* 112)

Keeping abreast of Corporate Developments

Problems of the farm-equipment manufacturers, highlighted in the August 4 issue of THE MAGAZINE, are to the fore once more. **Minneapolis-Moline Co.,** an important factor in the industry, has halted production at its Minneapolis tractor plant for about two months, beginning October 1. About 1,100 workers were laid off. With sales of farm equipment lagging, the company is hoping to obtain defense contracts and is pushing an industrial sales program. The company, whose fiscal year ends October 31, sustained a loss of $20,877 in the quarter ended July 31. This compares with a profit of $406,000, equal to 29 cents a share, in year-ago period. Sales for the quarter declined to $17,030,000 from $20,337,000 a year earlier. For the six months to April 30, 1956, sales were $30,298,000, with a net loss of $727,000, compared with $30,876,000 in sales and $706,000 loss a year earlier.

Sales of **Winn-Dixie Stores, Inc.,** for the fiscal year that started June 30 were forecast at $515 million by company officials. Sales for the year that ended June 30, 1956, totaled $421.3 million. The company expects that net should be about the same as the past year, when profit was $10,426,000, equal to $1.68 a share, including a special credit of $1,287,000. The company plans to spend $7.7 million on expansion during the year. The program includes the opening of 45 new retail food stores at a cost of $4.7 million, and distribution centers and warehouses in the South. Winn-Dixie now operates 449 retail stores, compared with 370 a year ago and 412 on June 30. Sales for the four weeks ended September 22 totaled $37,004,000, an increase of 22.8% from the $30,145,000 registered in the same period a year earlier.

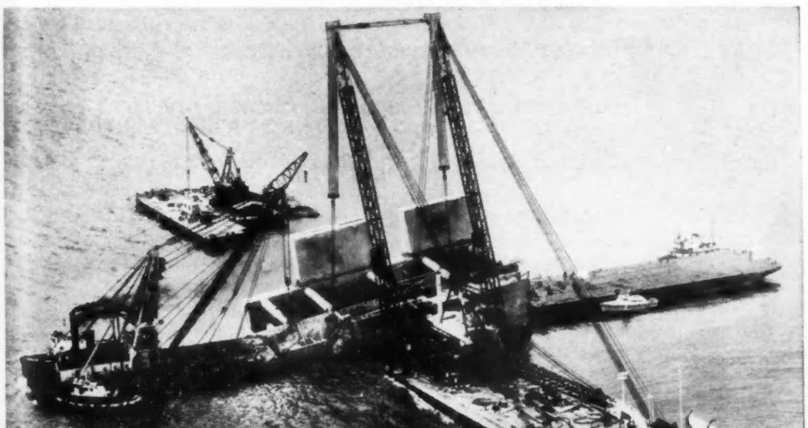
Standard Oil Co. (Ohio) and **Pittsburgh Consolidation Coal Co.** have combined forces in a coke-products venture. They have formed Mountaineer Carbon Co., which is to operate a carbon calcining plant at Cresap, W. Va. The plant will have an annual capacity for 165,000 tons of high-grade calcined carbon, used principally as electrodes that feed electricity in aluminum, electro-metallurgical and chemical production. Plant construction is expected to be completed in time to permit production by January, 1958. Part of the raw material for the plant will be petroleum coke, supplied by Sohio refineries. Mountaineer Carbon also will handle sales of green, or uncalcined, coke. Cresap is south of Wheeling on the Ohio River and in the midst of the fast-growing chemical and aluminum industries.

Kaiser Aluminum & Chemical Corp. has bought from the Government the aluminum forging plant at Erie, Pa. It will expand the facilities, contemplating expenditure of $5 million. The plant, purchased for $2.9 million, has been operated by Kaiser the past two years. The expansion will boost the plant's capacity to 15 million pounds a year, from the present 9 million.

Ford Motor Co., by the end of next year will have spent or committed more than $3.8 billion since 1946 in facilities and special tools to remain competitive in what it expects to be a rapidly expanding market. According to F. C. Reith, vice-president of Ford and general manager of the Mercury division, the entire American economy is entering on a solid decade or more of prosperity with at least half of all American families expected to move up into the $5,000-and-more a year earnings bracket by 1965. During the past five years, according to Mr. Reith, American families with incomes of $5,000 or more have increased to 39% of the population from 23%. Ford market analysts have found that while only 6% of families under the $5,000 bracket buy new cars every year, the figure jumps to 20% in the $5,000-and-up bracket. These upper-bracket families also spend about twice as much for cars as the income group just below. (*Please turn to page* 100)

Only STEEL can do so many jobs so well

Swampland Bucket Brigade. This cable tramway stretches through 3½ miles of Georgia swamp, hauling clay to the plant of a brick company. The buckets are carried on an endless 30,000-foot length of USS Tiger Brand Wire Rope. In six years, the tramway has carried over a million tons of clay; it has reduced hauling costs by 66%.



The Greatest Lift In the World. That derrick is lifting 800 tons of dead weight—an all-time world record. The total uplift being exerted is over 1300 tons. To build the derrick and barge required about 2000 tons of steel, and 40 tons of welding rods were needed. Nine miles of Wire Rope are used in the rigging of this equipment.

The Beauty Is More Than Skin Deep. Look at the *doorway* for a minute. It is made from lustrous, permanently attractive USS Stainless Steel. This is the entrance to a research laboratory that is in constant use. The Stainless will stay bright indefinitely, since the surface beauty goes all the way through. Stainless is hard, too, so it won't dent and scratch like softer metals.

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UNITED STATES STEEL HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY 6-1895

SEE the United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.


ATLANTIC CROSSED FOR FIRST TIME
You can telephone across the Atlantic as clearly as you call across town
"One of today's outstanding electronic and engineering achievements. Such a precise piece of construction that communications engineers speak of it almost with awe."
From an article on the new cables in the Reader's Digest
"Hello Great Britain"

Utility Holding Companies Stage Strong Comeback

(*Continued from page* 77)

steel strike, West Penn is expected to earn about $2.18 this year, compared with $2.06 in 1955, $1.88 in 1954 and $1.49 in 1951. Some investors have feared the cyclical effects of the heavy concentration in steel and coal in the area but the company has pointed out that industry in the territory is gradually becoming more diversified, with glass, chemicals, etc., entering the picture. The stock has been selling recently around 26 and paying $1.40, to yield 5.4%. The price-earnings ratio is about 12, well below average.

SOUTHERN COMPANY, enjoying rapid industrial growth in its territory, has nearly 20 million shares outstanding and for some years the large distributions of common shares held share earnings down. Now, however, the amount of equity financing has been sharply reduced, giving share earnings a chance to advance from $1.29 in 1954 to $1.35 last year and an estimated $1.50 for 1956. Further gains in share earnings appear likely. Paying $1 and selling around 21, the stock yields about 4.8%.

MIDDLE SOUTH UTILITIES, Southern's neighbor, got off to a good start with consistent gains in share earnings, but met with two setbacks over the past year or two. One was the political agitation over "Dixon-Yates." In partnership with Southern Company, Middle South had proposed to build a large steam plant which would sell its output to TVA and the Atomic Energy Commission. This became embroiled in politics and the Federal government finally cancelled the contract after several million dollars had been spent. The next blow was the stubborn refusal of the Arkansas State Commission and courts to grant rate increases to Arkansas Power & Light (a subsidiary of Middle South), which seemed fully warranted by the regulatory treatment the company had received in the past. Readjustment of these rates (which had put into effect "under bond") reduced share earnings about 30 cents, but much of this loss has been regained so that earnings for this calendar year will be only a few cents under last year's $2.21, it is estimated. The stock sells around 27 and pays $1.50, to yield nearly 5.6%.

TEXAS UTILITIES AND CENTRAL & SOUTH WEST have achieved the market and investment status of "growth utilities." Texas Utilities currently is selling around 37 and paying $1.28, to yield 3.5%; the price-earnings ratio exceeds 17 as compared with the general average around 14. The company has been favored by (1) absence of state regulation (municipalities exercise only mild regulation as a rule); (2) cheap boiler fuel in natural gas, and (3) the rapid growth of Texas industries built upon vast oil and gas developments, petro-chemicals, etc. Evidently investors feel that the consistent gains in share earnings can continue into the future, despite rising fuel costs, for the stock is classed among the best of the "growth utilities." It was held recently by 270 institutions.

CENTRAL & SOUTH WEST CORP., with its major operations in Texas and Oklahoma, has shared in the rapid growth of industry in these states. Under conservative management, earnings have improved consistently from $1.34 in 1951 to an estimated $2.25 this year. At the recent price of 35½ and paying $1.40, it yields nearly 4% and sells at about 16½ times earnings.

* * *

GENERAL TELEPHONE CORP., largest of the independent telephone systems, has had an outstanding record of increasing earnings in recent years under the aggressive management of President Donald Power, and deserves mention along with the electric holding companies. Share earnings for the calendar year are estimated at close to $3, compared with $2.63 in 1955 and $1.84 in the previous year. The recent jump in earnings is attributed largely to the acquisition of the Gary System, a rather loosely-run telephone holding company system about one-fifth the size of General Telephone. The merger afforded special opportunities for introducing economies and efficiency into the combined organization which may not be fully reflected in earnings for another year or so. Further acquisition of small independent telephone companies appears likely in future.

General Telephone, despite its remarkable record of boosting share earnings from $1.17 in 1951 (adjusted for stock dividends) to the current estimated $3, has not yet achieved a very substantial institutional following—it was recently held by 73 such investors. Possibly one reason is the rather low equity ratio of about 35% compared with the Bell System's approximately 65%; or perhaps institutional analysts are still concerned over the poor capitalization and highly involved holding company structure of the Gary System. In any event, General Telephone has been selling recently around 40½ or at 13 to 14 times earnings. Low payout may have been a retarding factor since only $1.60 is being paid, to yield about 3.9%, but a dividend increase is in the offing.

Growth utility stocks usually have much wider market swings than the rank and file of utility issues. However, in the light of current conditions in the stock market, new purchases should be deferred, although those holding such issues need not disturb their commitments. Here, as elsewhere, it is our feeling that a conservative, cautious, highly selective investment policy remains called for. So does maintenance of adequate liquid reserves for later employment under more opportune conditions. —END

Single-Product Companies Faring Well With Mainstays

(*Continued from page* 83)

the cereal is made.

To push sales of this staple in the American diet, the company increased advertising expenditures during 1955. In the last four months of the year all of the broadcast appropriations were concentrated in television spot announcements and magazines. Significantly, sales during that span were considerably ahead of the like 1954 period. In addition, the company continued its long-range promotional efforts directed at doctors, dietitians and educators. Advertising and promotion projects have been stepped up this year.

(*Please turn to page* 98)

Single-Product Companies Faring Well With Mainstays

(*Continued from page* 96)

Since 1951, Cream of Wheat has disbursed $1.85 annually to shareholders. This takes the form of a quarterly dividend of 40 cents, supplemented by a year-end extra of 25 cents. This affords a liberal yield for those investors who do not give major emphasis to "kick." In 1929, Cream of Wheat sold at 44⅜, a peak never attained in the intervening years. A nadir of 10½ was recorded in 1941. In the post-war decade it has moved over a range of 21 in 1948 and 35¾ in 1946. Capitalization consists of 600,000 shares. There is no funded debt.

AMERICAN TOBACCO CO. is the top-ranking manufacturer of tobacco products. It is famed for such cigarettes as Lucky Strike and Pall Mall, such cigars as El Roi-Tan and La Corona, and a wide variety of smoking tobaccos.

Except for the interruption to the uptrend in cigarette sales in 1953 and 1954, when the "cancer scare" was at its height, this company has forged ahead over the years, regularly reaching new peaks of output and sales. The cancer issue has been revived in recent days.

For 1955, American Tobacco registered record dollar sales and profits. Net totaled $51,662,000, or $7.45 per share of common stock. This compares with 1954 earnings of $43,051,000, equal to $6.12 a share. Dollar sales in 1955 totaled $1,090,845,000, against $1,068,579,000 in 1954.

Like all other producers of tobacco, the company has incurred heavy costs in promoting king-size and filter-tip brands, which have soared in popularity the past few years. It now is bringing out yet another brand, Hit Parade.

Its top-quality management has an enviable record of cost-cutting and all-round efficiency. In the current year it increased six-month earnings by 6% from the similar period of 1955, despite a 1.61% decline in sales. Net profit amounted to $24,673,000, equal to $3.55 a common share. In the corresponding period of 1955 the net was $23,282,000, or $3.33 a share. Dollar sales for the latest six months totaled $525,157,000, compared with $533,756,000 in the first half of last year.

A measure of the company's post-war growth is to be found in the rise of sales from $764,167,000 in 1946 to over a billion dollars in each of the last four years. Over the same span net profit has risen from $29,886,000 to the record $51,662,000 attained last year.

This high-grade investment issue has a record of paying some dividend in each year over a half-century span. In the post-war period the payout has mounted steadily. The company disbursed $3.25 a share in 1946, boosted it to $3.50 in 1947 and to $3.75 in 1948. From 1949 to 1953 the annual disbursement toted up to $4. In 1954, and again last year, the total was $4.40, made up of a quarterly dividend of 85 cents and an extra of $1. The company pays the annual extra at the start of the year. This year the extra was boosted to $1 and the quarterly rate to $1, indicating a $5 annual dividend.

Based on current market price, the yield is unusually liberal for an issue of this quality.

COCA-COLA CO. produces the most famed single product in all the world. The distinctive bottle is recognized almost everywhere and "Coke" probably is the most imitated product. It has been making money for its stockholders and paying dividends since 1893.

Coca-Cola down the years had clung to a 6½-ounce bottle, but decided in recent months to go over to larger-size bottles, while retaining the traditional small bottle, in order to meet the competition from the makers of 10-ounce, 12-ounce and so-called family-size soft drinks.

The changed, more aggressive, policy of Coca-Cola has come from William E. Robinson, a publisher who moved in as president and chief executive officer. His advent, little more than a year ago, followed the poor showing of Coca-Cola in 1954, when an eight-year earnings low of $6.08 a share was recorded.

Earnings per share rose to $6.44 last year and another gain, also of moderate proportions, is indicated for 1956. For the first half of this year, net amounted to $3.16 per share, compared with $2.93 in the similar period of 1955. This recovery in earnings has been accompanied by increased sales, up nearly 14%. The showing is especially impressive in view of the extremely mild summer just ended. That the $252.9 million record sales attained last year will be surpassed in 1956 is a foregone conclusion.

As noted hitherto, Coca-Cola is known the world over. Indeed, gains abroad are outpacing those in the domestic market. Like any other company with a substantial stake abroad, Coca-Cola must fear the vagaries of the foreign situation. And at home competition promises to become even keener.

Yield is fair for this high-quality issue. Since 1950, the annual payout has amounted to $5, made up of $1 quarterly plus $1 extra at year-end. Highest payout in the post-war period was $6 in 1949. While moderate earnings improvement are envisaged, there is scant prospect of any near-term rise in the $5 dividend.

AMERICAN BANK NOTE CO. is the foremost private printer of engraved stock and bond certificates, currency notes and stamps. The bulk of this business is done with American companies that have security issues and foreign governments and banks of issue which do not have engraving facilities of their own.

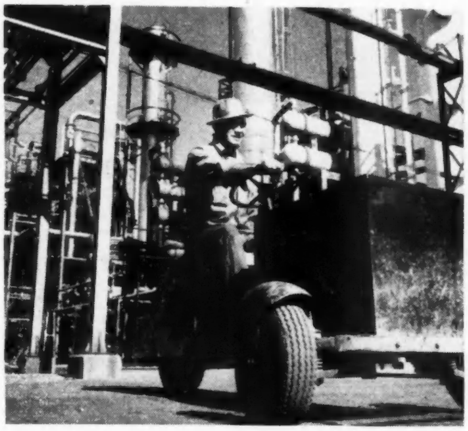
In common with most of American industry, the company had a better year in 1955. Operations of its two foreign subsidiaries also were on an increased scale. As a consequence, the upward trend in sales and earnings that began in 1954 continued and the 1955 results were the best since 1949, when foreign business was adversely affected by developments abroad.

The 1955 net (before a non-recurring special item) was $1,779,000, compared with $1,151,000 in 1954, an increase of 55%. The 1955 net was equal to $2.45 a common share, against $1.45 in 1954. Dividends aggregating $1.10 a share were declared on the common last year, compared with 85 cents during 1954.

Encouraging results attained last year (sales rose 29%) reflected the higher level of business and financial activity that prevailed. Trading on the securities exchanges was greater than during the preceding year. This activity, together with the larger number of stock splits, corporate

(*Please turn to page* 100)

What it takes to grow with a great industry



"Cooperation and teamwork." This is the credo 12,000 Pure Oil employees live and work by. It's the story of "Operation Progress" at Pure Oil.

In recent years, through far-sighted planning and hard work, The Pure Oil Company has made remarkable progress in its expansion program. This year alone, Pure Oil is *adding* an investment of $4,000 per employee for tools and equipment to the $44,000 already behind *each employee!* Steady progress has been made in each of the company's basic areas of operation.

Progress in Production

Pure Oil now has producing wells in 14 states and the Gulf of Mexico. New wells were brought in recently in Oklahoma, Louisiana and Illinois. In a joint project with three other companies, Pure Oil has been awarded a concession of 28,000 acres in one of the world's greatest oil-producing areas . . . Venezuela's Lake Maracaibo.

Progress in Refining

At the Smiths Bluff refinery in Texas, a new catalytic reformer will go "on stream" this month. This new unit, which will produce 15,000 barrels a day of a high-octane gasoline component, is Pure Oil's answer to the requirements of tomorrow's automobiles with their higher and higher compression ratios. The Smiths Bluff reformer supplements existing units at the Toledo and Heath refineries in Ohio. Construction of still another catalytic reformer is scheduled at the Lemont (Illinois) refinery.

Progress in Transportation

In six years, Pure Oil's pipeline system has grown from 6,000 to over 12,000 miles in length. By participating with other companies in building economical, big-diameter lines, PURE is in the position today of having a thoroughly efficient network for moving crude oil from its 5,000 field wells to its refineries and for moving gasoline and other products from the refineries to major marketing centers. The storage capacity of the company's 55 terminals exceeds 348,000,000 gallons, and Pure Oil operates a fleet of over 60 vessels, including ocean and lake tankers, barges, towboats and tugs with a total capacity of over 75,000,000 gallons.

Progress in Marketing

The company's marketing activities have taken a significant step forward this past year—from Minnesota to Florida. Existing stations are being modernized. Key stations have been built in shopping centers and on highways. Pure Oil's network of truck service stations has been expanded to better serve the trucking industry in 20 states. PURE gasoline sales increased *over 21% last year!*

Progress in Research

PURE's Research and Development laboratories at Crystal Lake (Illinois) rank among the most modern in the entire oil industry. Over 250 scientists and technicians have been given the assignment of providing the scientific leadership to keep the company ahead of its competitors in the technological aspects of the industry. Research activities are directed toward the development of improved gasoline, fuels, lubricating oils, greases, and hundreds of other products as well as toward the development and improvement of processes in the production, refining, transportation, and marketing fields.

Now, more than ever,
you can Be Sure With Pure

THE PURE OIL COMPANY, U.S.A.
PURE

Single-Product Companies Faring Well With Mainstays

(*Continued from page* 98)

mergers and stock issues, resulted in a substantial increase in orders for stock certificates. In addition, foreign sales were larger than in 1954. Tighter money may result in fewer issues being brought out at this juncture, which could handicap American Bank Note.

For the first six months of this year the business has lagged slightly from year-earlier levels. Sales and other income totaled $5,139,000, compared with $5,272,000 in the first half of 1955. Net for the latest six months totaled $417,000, equal to 58 cents a common share, against $437,000, or 60 cents a share, in the corresponding 1955 period.

The company, which disburses 25 cents at quarterly intervals to common shareholders and pays occasional extras, has paid some dividends in each year since 1941. American Bank Note also has been buying and retiring its preferred shares.

HERSHEY CHOCOLATE CORP. is the top-ranking producer of chocolate products, the best known of which are its confections and beverages made from the cocoa bean. Hershey chocolates are almost as famed as Coca-Cola, although Hershey follows a distinctive policy of no advertising, aside from displays in store windows. This is in keeping with the belief of the founder, who contended a good product required no advertising. The unadvertised Hershey chocolate bar outsells its competitors by a wide margin. The company is unique also in its forward-looking labor and community relations.

The crucial factor in this stable business is the cost of the cocoa bean. In 1954, as an example, a shortage of cocoa beans sent prices to a record peak of 74 cents a pound. Result: Profits were pinched. A lower price for the bean in 1955 boosted earnings despite a slide in sales. In 1954, sales totaled $159,432,000 and in 1955, $151,649,000. Net profit for 1954 totaled $7,091,000, or $2.75 a common share, compared with 1955's net of $10,615,000 and $4.23 a share.

Hershey again is being helped this year by a slide in cocoa prices, which were at a six-year low early this year and barely above the 1949 post-war low of 21.5 cents. Hershey especially welcomes low bean prices, because it is determined to preserve the nickel candy bar.

Net for the six months to June 30, 1956, rose to $5,176,000, equal to $2.06 a share, against $4,572,000, or $1.81 a share, in the corresponding period of 1955. Net sales continued to drop—to $70,374,000 in the first half of this year, from $73,506,000 in the 1955 half and $75,691,000 in the 1954 period. The decline in dollar sales is due to lower prices to its customers, but unit sales are higher.

The company has paid some dividend in each year since 1930. Last year, the 50-cent quarterly dividend was augmented at year-end with an extra of 75 cents. Prospects appear good for a like extra this year. END

Keeping Abreast of Corporate Developments

(*Continued from page* 92)

Mr. Reith predicted that the year now drawing to a close would result in sale of 6 million cars. That would be 10% greater than the average for the six years prior to 1955 and the third best sales year in automotive history, exceeded only by 1955 and 1950.

Curtis Publishing Co. plan of reorganization and recapitalization will become operative on November 15. Directors have called for deposits through that date of the $4 dividend prior preferred stock in exchange for the new securities issuable under the plan. The new securities will be issuable November 16. Stockholders last month approved the recap plan. Under the plan, the company offers to exchange $40 principal amount of 30-year 6% subordinated income debentures and one share of a new $1.60 dividend prior preferred stock for each share of the $4 dividend prior preferred now outstanding.

Operations of **Universal Winding Co.** for the fiscal year ending June 30, 1956, showed a substantial improvement over the previous year and resulted in a net income of $654,388, compared with a net loss of $197,320 in fiscal 1955. The company is a manufacturer of winding and twisting machines for the textile industry. Net sales and other operating revenues of $17,320,678 were up 29% from the $13,406,599 reported in the previous fiscal year. Sales of defense products amounted to 12.4% of total net sales, compared with 22.5% in the previous year. The fiscal year's net income of $654,388 was equal to $2.02 per share on the 306,542 shares of common stock outstanding.

The 25 Biggest Defense Suppliers

(*Continued from page* 67)

Many other classified research and production contracts have recently been awarded to Philco on a "negotiated price" basis. This does not suggest that any considerable profit will be made this year. This increase in business will place Philco in the top 25 military contractors for the first time. In another year, experience may cause its profits to be commensurate with its volume of military business. —END

Materials Handling Mechanical Cost-Cutters Thrive on Labor Savings

(*Continued from page* 79)

shown by all of these groups in recent years. The makers of industrial trucks—Clark Equipment, Towmotor, Yale & Towne, Otis Elevator's Baker-Raulang Division, Automatic Transmission Co., Buda Division of Allis-Chalmers, and Elwell-Parker—have shown particular rapid expansion of sales. Between 1950 and 1953, their sales as a group rose by 100%, partly as a result of large Government contracts. Since then, Government orders have fallen off sharply, but non-defense business has continued to grow and has more than offset the dip in defense lines.

Industrial and lift trucks form the mobile or flexible type of materials-handling equipment. Fixed equipment includes the overhead cranes and hoists, belt and roller conveyors.

Among the makers of overhead cranes and hoists, Harnischfeger Corp. is the largest producer. Other large producers are Whiting Corp., Manning, Maxwell & Moore, Yale & Towne, American Chain & Cable, Shephard Niles Crane & Hoist; Industrial Brownhoist, controlled by Penn-Texas Corp.; Pacific Coast Engineering and Wellman Engineering., and American Hoist & Derrick.

The makers of belt and roller conveyors include Link-Belt, Chain Belt, Lamson Corp., Food Machinery & Chemical, Joy Manufacturing, Goodman Manufacturing and American Machinery.

The Popular Fork Lifts

Some companies, such as Yale & Towne and Clark Equipment, participate in more than one branch of materials-handling and machinery production, and thus are aided by diversification. Other materials-handling producers, such as Joy, Goodman, Manning, Maxwell & Moore and Link-Belt, are active in other fields of machinery and specialty production, as well as in materials-handling.

The fork-lift or industrial truck companies have had a particularly rapid rise since the war. Lift trucks are four-wheeled vehicles driven either by gasoline or Diesel engines, or by electric storage batteries. The hydraulically- operated lift forks permit the convenient carrying and stacking of goods, thus saving time and space in a plant. The trucks carry goods on skids and pallets, a technique which came into wide use for the first time during World War II and which has since been broadened to a point where factories have palletized their entire operations to conserve labor. Lift-truck makers have made good use of the sales argument that any common labor used to carry goods from place to place in a plant or warehouse can swiftly be eliminated by palletizing operations through the use of lift trucks.

Among the lift-truck producers, some companies, such as Elwell-Parker, specialize in equipment that is designed to meet an individual customer's requirements, while others, like Baker-Raulang and Towmotor, are mass producers of general-purpose equipment.

Clark Achieves Success

Clark Equipment has been a particularly successful producer. It makes fork-lift trucks in all

sizes and capacities and has been able greatly to expand the market for larger types of equipment. In addition to its diversified line of industrial trucks, Clark makes tractor shovels and excavator cranes for the construction and bulk materials-handling industries and also a line of transmissions, axles and axle housings for highway trucks, farm tractors, buses, etc.

In the first six months of this year, Clark earnings and sales set a new peak. Earnings per share on the new stock recently split 2-for-1 were equal to $2.01, against $1.64 a share for the same period of last year. An active research and development program has enabled the company to bring out new and improved types of lift trucks at regular intervals, thus helping it to capture a larger share of the equipment market. Such investments in retooling and development are the surest path to leadership in an industry.

George Spatta, president of the company, has shown himself to be an effective and imaginative executive in charting the growth of the company from a sales total of $9.6 million in 1936 to $131.2 million in 1955.

Towmotor's •growth has not been as steady as Clark's, but this company has shown an excellent recovery from the industry's dip of 1954. Earnings last year were equal to $2.93 a share, against $1.36 in 1954.

Chain Belt and Link Belt

Among the makers of conveyors and chain-transmission equipment, Chain Belt and Link-Belt both have shown steady progress. Both are well diversified, and show excellent earnings records. For the first half of 1956, Chain Belt's net was equal to $3.81 a share, against $2.59 a share last year, while Link-Belt's net rose to $2.88 a share in the first half from $1.88 in the same period of 1955. Both are selling in a price area which point to stock splits during the next year or two, if earnings continue their present favorable trend.

Joy Manufacturing, primarily a maker of mining machinery, has been unusually skillful in devising general industrial uses for equipment which it has developed for the extractive industries. Thus, Joy originally developed its Limber-roller for use with its Joy continuous miner in narrow coal seams to carry coal from the mining machine to trucks. Now the Limber-roller is being sold successfully as an industrial materials-handling tool. Joy's net for the nine months ended June 30 was $4.50 a share on the new stock after the recent 2-for-1 split, or more than twice net for the corresponding period of the previous year. The bright prospects for the coal industry, and the peaceful completion of a new contract with John L. Lewis' coal miners, point to further growth for Joy.

Help from Automation

The trend towards automation in plants is particularly helpful to makers of automatic conveyors, if they can manage to incorporate their systems into production lines. In some cases, however, automation may tend to result in a loss of markets for producers of materials-handling equipment. Thus, machine tool makers and other designers of large single-purpose production and packaging machinery may incorporate their own materials—handling equipment in their products.

For example, Cincinnati Milling Machine has developed large continuous-type millers, for milling cylinder head castings and other parts for the auto industry. Automation can be accomplished with this machine by combining it with a suitable transfer mechanism for automatically carrying cylinders or other parts from one operation to another. When such large automatic equipment is adopted, materials-handling costs are greatly reduced.

It is not likely, however, that automation will be adopted on a sufficiently broad scale to form a potent threat to the makers of lift trucks and hoists. The makers of chain belts and conveyors should be able to find ways to incorporate their equipment in automatic machinery, if they approach this market aggressively.

The materials-handling industry has moved ahead rapidly in recent years. If capital spending by all industry is generally curtailed for any reason, such as a business recession, during the next year or two, the makers of handling equipment undoubtedly would see a dip in sales. But as long as labor rates continue to

rise, it does not seem likely that the industry will have very bad times, for the incentives for purchasing new and improved lift trucks and conveyors or hoists are great. The industry still is a cyclical one, but its successful performance in 1954 indicates that on any dip in 1957 and 1958 it would give a good account of itself. —END

Growing Vogue Cash plus Stock

(*Continued from page* 75)

representative companies which have gone to cash-and-stock this year. Included are large and small corporations, each representative of a different industry.

NATIONAL DISTILLERS PRODUCTS CORP. stockholders will receive late this month a 2% stock dividend. They also get 25 cents at quarterly intervals from this second - ranking distilling company. Because of the tightness of the money market and the company's need for cash to finance expansion in the chemical and metals field, the company is expected to declare occasional stock dividends during the next two or three years.

It is estimated that National Distillers will spend about $44 million on expansion for the 1956-1957 period and on the order of $2 million for research. Net profit for 1956 should be about $20 million, or slightly better than $2 a share. In the first half, the company netted $10.1 million, equal to $1.08 a share. This compares with $6.8 million, or 68 cents a share, in the first half of 1955.

Profits from the liquor division in the first half of this year are put at $16.8 million, up $1.6 million from the like 1955 period. However, for the next two or three years (the period in which stock dividends would supplement cash) National Distillers expects to sustain a loss of $1.4 million annually on the redistillation of rye whisky that will become eight years old, the maximum tax-free age allowed on bonded liquor. The company plans to redistill the old rye into alcohol for blending purposes rather than pay the $10.50 per gallon tax and try to bottle the whisky for retail sale. Whisky inventories are onerous.

National, however, sees a bright future for its chemical division. Pre-tax earnings from this segment have risen to over 36% of total earnings this year, against about 10% last year. The company is expanding output of its chemical products. Emphasis is on greater production of metallic sodium, isosebacic acid and its related acids, used as low-temperature plasticizers, and polyethylene. Expansion plans on polyethylene call for output to increase to 100 million pounds annually from 45 million. Realization of this goal would make National the nation's third biggest producer of this plastic.

The company also plans to become an important producer of titanium metal, putting into operation by the end of 1957 a plant that would turn out 5,000 tons of titanium sponge per year. This is the hard, primary form of the metal that results from reduction of titanium tetrachloride. Titanium, unusually strong and light in weight, is used principally in the aircraft industry. Applica-

tions in the chemical, marine and other fields are increasing.

The company has joined with nine other large corporations from diverse industries to build and operate a privately-owned nuclear reactor for research.

SHELL OIL CO. stockholders will receive on October 16 a 10% stock dividend. Only once before has this American unit of the Royal Dutch-Shell Group resorted to a stock dividend. That was in 1953, when a 2% stock dividend was disbursed. That year was outstanding for Shell, as is 1956.

Stockholders also receive 50 cents at quarterly intervals, a modest payout in the light of net profit, which reached $4.56 a share last year. Continuing high-level profits this year stirred expectation of a higher cash dividend. However, the company has decided to reward shareholders with a 10% stock dividend.

Shell, of course, is a leader in the expansion-minded petroleum industry. Its capital expenditures last year amounted to $271,347,000, or $34,407,000 more than in 1954. Even paying dividends at the modest 50-cent quarterly rate, entailed an aggregate of $55,066,000.

Principal factors in the increased capital spending by Shell were the completion of a new refinery (it ranks sixth in size as a refiner and has nation-wide marketing facilities) and the purchase by Shell Chemical Corp. of synthetic rubber facilities from the Government. Included in capital expenditures is a total of $153,699,000, covering acquisition of leases and exploratory and development drilling for new crude oil and gas reserves. This figure does not include $56.2 million charged against current income for exploration work essential to the maintenance and improvement of its position in this vital phase of operations. Capital expenditures for the oil industry are expected to be maintained at the recent high level, and this condition will also be reflected in the Shell picture for 1956.

Shell did some important borrowing just prior to the tightening of money rates. On February 15, 1955, the company got $75 million from five banks on a five-year, 3% note, repayable in three equal annual instalments. These funds were used for the completion of the refinery at Anacortes, Wash., the purchase from the Government of synthetic rubber plants and to provide additional working capital.

The net profits trend for Shell, over the post-war decade, has been sharply higher. This rise, nearly fivefold, contrasts with an increase in cash disbursements of little more than twofold. There is little near-term prospect that Shell will go over to a generous cash policy in the light of capital needs. On the other hand, there is considerable likelihood that directors will continue to reward shareholders, from time to time, with additional stock dividends to supplement the small cash payout.

AMERICAN ENCAUSTIC TILING CO. is a small, progressive company that has made major strides during the post-war building boom with its ceramic tiles and bathroom accessories. Its progress may be gleaned from these balance-sheet figures: At the end of 1942, cash on hand amounted to only $183,000, with total current assets of less than $288,000 and current liabilities of $36,000. At the end of 1955: Cash totaled $1.5 million, total current assets $2.8 million, current liabilities $1 mil-

Long-time Payers of Stock and Cash

	Earnings Per Share 1951	1952	1953	1954	1955	1st 6 mos. 1956	Price Range 1955-1956	Recent Price
Addressograph-Multigraph	$6.84	$5.84	$5.74	$5.92	$7.86	$8.07[1]	154 - 77½	132
Stock	3%	3%	3%	3%	3%	3%		
Cash	3.00	3.00	3.00	3.00	3.00	4.00		
American Mach. & Fdry.	2.42	2.03	2.41	1.62	1.64	1.51	35⅞- 23¼	32
Stock	2½%	5%	5%	2½%	2%	[2]		
Cash	.80	.80	1.00	1.00	1.00	.75[3]		
American Metal Co.	1.92	1.70	1.63	1.66	1.67	1.21	34¾- 22⅞	29*
Stock	5%	5%	5%	5%	5%	[2]		
Cash	.75	.75	.75	.87	1.50	.85[3]		
Babcock & Wilcox	1.89	2.20	2.58	3.10	2.62	1.40	45½- 22	40**
Stock	——	——	5%	5%	5%	5%		
Cash	.66	.66	.66	.66	.91	1.00[3]		
Cosden Petroleum	1.03	1.02	1.16	1.39	1.71	2.29[1]	25 - 12⅛	22*
Stock	——	——	20%	25%	5%	5%		
Cash	.47	.50	.50	.50	.62	.81[3]		
Dow Chemical	2.00	1.65	1.58	1.42	1.64	2.52[4]	82⅞- 43⅛	70
Stock	2½%	5%	2½%	——	2%	2%		
Cash	.80	.80	1.00	1.00	1.00	1.10[3]		
Fansteel Metallurgical	2.36	2.10	1.85	1.23	3.00	2.18	51½- 26⅛	44
Stock	5%	5%	5%	3%	3%	[2]		
Cash	.50	.50	.50	.50	.75	.75[3]		
Food Fair Stores	1.71	1.30	1.49	1.85	2.37	2.68[1]	69¼- 43⅜	53
Stock	3%	3%	5%	25%	3%	3%		
Cash	.80	.80	.80	.80	.90	1.00[3]		
Grand Union Co.	1.36	1.18	1.55	1.82	1.90	.55[5]	36½- 25⅜	31
Stock	[6]	5%	5%	5%	4%	5%		
Cash	.50	.50	.50	.50	.50	.45[3]		
Gulf Oil	6.17	6.01	7.13	7.16	8.19	4.91	147½- 61½	113
Stock	100%	4%	4%	4%	4%	5%		
Cash	4.00	2.00	2.00	2.00	2.25	2.50[3]		
International Bus. Mach.	6.80	7.29	8.53	11.35	13.63	6.07	523 -279⅛	455
Stock	5%	5%	5%	2½%	2½%	[7]		
Cash	4.00	4.00	4.00	4.00	4.00	3.00[3]		
Mead Corp.	2.58	2.49	2.21	2.31	3.15	1.69	41½- 26⅜	33*
Stock	——	2%	2½%	2½%	2½%	100%		
Cash	1.00	.80	.82	.92	1.05	.95[3]		
National Gypsum	3.12	2.84	2.71	4.56	4.61	2.61	61⅞- 45⅜	49
Stock	2%	2%	——	2%	2%	2%		
Cash	1.40	1.40	1.40	1.60	2.00	2.00[3]		
Plymouth Oil	4.24	3.97	3.32	2.78	2.83	1.75	40¼- 29⅞	33
Stock	1½%	1½%	1½%	1½%	1½%	[2]		
Cash	1.30	1.60	1.60	1.60	1.60	1.20[3]		
Rohm & Haas	7.48	5.73	6.73	12.52	17.23	7.57	510 -348	405
Stock	4%	4%	4%	4%	4%	[2]		
Cash	1.60	1.60	1.60	1.60	1.60	1.90[3]		
Sun Oil	4.70	4.45	4.68	4.17	4.72	2.48	80¾- 67¼	77
Stock	10%	8%	8%	8%	6%	6%		
Cash	1.00	1.00	1.00	1.00	1.00	1.00		

*—Adjusted for 2 for 1 split in 1956.
**—Adjusted for 3 for 1 split in 1956.
[1]—12 months ended 4/30/56.
[2]—Paid stock div. in December last year.
[3]—Paid thus far in 1956.
[4]—Year ended 5/31/56.
[5]—Quarter ended 6/2/56.
[6]—1/5 share of 4½% preferred.
[7]—¼ share for each share held to effect a 5 for 4 split.

lion and net working capital $1.8 million.

Back in 1942, the stock could have been bought for 62.5 cents a share. The recent price was $16. And back in 1942, earnings were a mere 2 cents a share. For the six months ended June 30, 1956, net profit totaled $517,000, equal to 80 cents a share, against $485,000, or 75 cents a share, in the like 1955 period.

Since dividends were inaugurated in 1948, some dividend has been paid in each year. Lately, shareholders have been receiving 15 cents at quarterly intervals. Last year, disbursements totaled 70 cents, as an extra of 10 cents was paid at year-end. This year, the company has continued the 15-cent quarterly payment, but a new element has been introduced. Last month, a 5% stock dividend was paid.

American Encaustic has followed a conservative policy in expanding its operations. An expansion program launched in 1955, at a cost of about $1 million, was paid for out of retained earnings. It has been the experience of this conservative management that while manufacturing capacity is lower than sales capacity during a building boom, in normal times it has a well-balanced operation.

EASTERN AIR LINES, INC., a pioneer in the field, is an outstanding example of the vision shared by stockholders and management. In the process of developing prime routes in this country and in Latin America, the company entailed expenditures that left little in the way of cash for shareholders. While profits were registered consistently, directors were unable, because of these heavy outlays, to establish a regular dividend policy until 1954. In August of that year the stock was placed on a 25-cent quarterly basis.

Even this seemed like scant recognition of the shareholders' rightful expectancy of a fair return on the savings they had invested in Eastern. When earnings per share rose last year to $5.31 from $2.88 in 1954, there was widespread expectation of a higher dividend rate. While stockholders are to get a better return, it will not be in added cash.

For the next several years, because of Eastern's need to conserve cash for meeting the heavy commitments for new aircraft as the commercial jet age is ushered in, the company will pay a 2% stock dividend each year. The dividend in stock will be paid concurrently with the payment of the year's final quarterly cash dividend.

A measure of Eastern's growth within the last three years alone may be gleaned from these figures set forth by Thomas F. Armstrong, president of Eastern. In 1953, Eastern owned 103 airplanes, including 11 post-war DC-4's. That fleet provided a capacity of about 4.3 million seat miles, produced $144 million in operating revenues and a net from operations of $5.9 million, after taxes. Three years later, Eastern owned 118 planes and was operating six more under lease. The fleet was providing well over 6 million seat miles. In 1955, operating revenues totaled $198,608,000 and net from operations amounted to $9,342,000, after taxes. In June, the company acquired the assets and route certificates of Colonial Airlines. This was consummated through an exchange of stock.

Eastern is out front in the so-called buying spree by the airlines, with orders for 122 new aircraft costing $364 million. In order to carry out the new fleet-expansion program, Eastern last year entered into a long-term loan agreement with Equitable Life Assurance Society. All told, $90 million was involved. Notes issued under the agreement provide for a 3.75% interest rate, which is the lowest in the industry for this type of financing.

A unique feature of this loan allows the company 10 years before repayments start in 1966. Starting in June of 1966, repayment will be made in semi-annual instalments over a 10-year period continuing through 1975. If management elects, the loan may be prepaid.

Under terms of the agreement, $50 million was borrowed last December. The balance may be borrowed any time prior to December 16, 1959. In the light of the heavy expenditures for jets, it may be that even the cash accumulated through depreciation and profits (added to the $90 mil-

lion loan) will not suffice to cover all of Eastern's needs. Hence cash dividends over the next several years are certain to be on the lean side.

ROCKWELL SPRING & AXLE CO. stockholders, who receive 50 cents on the common at quarterly intervals, got a 2% stock dividend on June 18 and will get yet another 2% in stock on December 18. This was decided upon by directors back in April, when Colonel Willard F. Rockwell, chairman of the board, declared the company will pay stock dividends as long "as earnings are good and as long as we are required to continue our expansion by investing a considerable part of our earnings."

Rockwell, an important factor in the auto-parts industry, stems from the merger three years ago of Standard Steel Spring Co. and Timken-Detroit Axle Co. Standard had made parts largely for passenger cars, while Timken-Detroit served makers of trucks and commercial vehicles. It also made a line of home-heating equipment. The three-year old company is interested in further diversity.

The company is in a strong financial position, with neither bonds, preferred stock nor other obligations ahead of the common stock. Reflecting its confidence in the adequacy of its finances, the company last year voluntarily reduced to $10 million from $20 million an authorized line of credit.

Net profit last year totaled $17,310,000, equal to $3.79 per share, on sales of $271,934,000. This was a 43% rise in the net profit from 1954's $12,108,000, equal to $2.65 a share, on sales of $241,796,000. In the first six months of this year, despite the sharp drop in automotive production, Rockwell has fared relatively well. Sales for the period totaled $136,675,000 and net was $7,092,000, equal to $1.52 a share. This compares with sales of $139,013,000 and net of $8,682,000, or $1.87 a share, in the like 1955 period.

It is important to note that, for the first half of 1956, the company charged to costs $1,234,000, representing extra costs, or the amount in excess of regular costs, paid for premium and grey market nickel during the period. In addition, preliminary expenses involved in the establishment of a new plant at Mishawaka, Ind., charged against income in the first half amounted to $530,000 and major changes at other plants resulted in charges of about $1.4 million.

Thus, Rockwell would appear to be in a prime position to cope with a considerable expansion program without having resort to outside borrowing. At the same time, strong finances should permit retention of the $2 annual dividend, providing an unusually high yield, supplemented by occasional stock dividend. —END

Alaska and Canada

(*Continued from page* 73)

However, what really stirs the imagination is the plans for the development of British Columbia's vast waterpower resources. Two of these projects, apparently backed by Ventures, Frobisher, and Quebec Metallurgical Industries, would do something that has been done by Alcan at Kitimat: Dam and reverse a river, and then drop it from tremendous heights to the Pacific Coast. The Nass River development would produce 500,000 horsepower, whereas reversing the Yukon River and dropping it into the Taku River watershed would produce almost 5 million horsepower, more than twice as much as will ultimately be produced at Kitimat (2.3 million hp.) The power so generated would be used chiefly for metallurgical purposes.

Another project which would be greater than Hoover and Grand Coulee Dams combined is planned for the Fraser River. The 3.5 million hp. installed capacity would be used by a new aluminum smelter that would rival Alcan's at Kitimat. This project must await the solution of salmon protection. It is estimated that at the present rate of industrial expansion, British Columbia's power requirements will double in the next six years.

While the bustle and hustle that one sees around Vancouver City, in Kitimat, and on Vancouver Island reflect, by and large, private enterpreneurial activity, a great deal of the activity that one sees in Alaska has been due to U. S. Government spending. But there are places like Ketchikan, where American Viscose and the Puget Sound Pulp & Paper Co. have been operating since 1954 one of the largest and most modern pulp mills in the world, which are busy and up-and-coming. Anchorage, dubbed "the Los Angeles of Alaska," is another busy and rapidly growing city. It has profited from the development in Western Alaska of mineral resources, including petroleum, and it also is an air, rail and highway transportation center.

In 1867, when Secretary Seward was accused of misinvesting $7.2 million in what was then called American Siberia and Walrussia, he did not know that his purchase would provide America with a natural defense rampart and prevent the establishment of a Communist beachhead in the Western Hemisphere.

Since 1867, Alaska has yielded close to $1 billion in mineral wealth alone; over $600 million was accounted for by gold, and some $240 million by copper. The value of fish products taken from Alaska's waters passed the $2 billion mark in 1950. No wonder that the Soviet Union is complaining of being gypped. On the other hand, since 1940 U. S. taxpayers have poured close to $2 billion into defense construction. This does not include other Army spending. A quarter of the present Alaskan population of some 210,000, which, incidentally, has doubled since the end of World War II, consists of military personnel.

Government spending has had far-reaching effects on Alaska's economy. The Fairbanks area, for example, where some of the huge airbases are situated and from where the D.E.W. (Distant Early Warning) Line is serviced, now has almost as many people as the whole country had back in the 1920's. All kinds of service industries — hairdressing, garages, radio service–have sprung up, not only attracting immigrants from the States, but pulling native Alaskans from their primary pursuits — fishing, mining, and lumbering.

As for the Alaskan natives–the Eskimos, the Aleuts and a few Indian tribes in the south and in the interior–they are estimated to number about 35,000. The wartime and post-war prosperity based on military spending has disrupted their ancient tribal way of life, based on hunting and fishing, and most of them have yet

to adjust to the new ways. Many of them are seasonal workers in fish canneries, and their living standards generally are low, though some of the individual natives are said to be making good money—as much as $10,000 a year —as commercial fishermen and trappers.

Critical Stage of Development

Everything considered, Alaska may be said to be in a critical stage of development. The older industries, such as salmon fishing and gold-mining, are not doing too well, and some of the towns, such as Skagway, have a blighted appearance. On the other hand, those areas where defense spending has been heavy look prosperous and labor is in short supply. However, some of the defense projects now are being finished, and the question is what will happen if defense spending should really decline.

There are several ways of mitigating a crisis, should one develop. One way lies in the modernization of the older industries, such as fish-canning. Alaska's fishery resources offer a number of new opportunities, both in new species of fish and new treatment of species already being caught commercially. According to a survey made by the Seattle First National Bank, there has been very little use made of bottom fish, which are found over the entire Alaskan coast. Shellfish production has increased, but can still be developed further. There is additional potential in the processing of fish waste either for fertilizer or for sale to fur farmers.

Another way out lies in the diversification of the Territory's economic activities. This approach would include the raising of some local food, such as potatoes, and the development of the dairy and livestock industries, for which parts of Alaska are suited. Tourist facilities are improving, but travel is held back by long distances and high costs.

The greatest potentialities, however, lie in the development of forest industries and in the exploitation of industrial minerals. Alaska's huge coastal forest could probably sustain five or six pulp mills comparable to the Ketchikan plant. A second pulp mill now is being constructed by the Pacific Northern Timber Co. A third pulp mill is to be set up in the Juneau area by the Georgia-Pacific Plywood Corp., while the Sitka area is to get a pulp mill and a sawmill, planned by the Alaska Lumber & Pulp Co., the principal shareholders of which are seven Japanese paper and rayon companies.

Mineral resources, other than gold and copper, also are being probed. The United States Steel Corp. has acquired two iron ore deposits on Prince of Wales Island off the southeastern coast, while the Kaiser Aluminum & Chemical Corp., has acquired title to gypsum deposits on one of the large islands off the Panhandle area. There is growing interest in the exploitation of Alaska's chrome, nickel, tin, and mercury deposits. Several leading U. S. petroleum companies are looking for oil in the south-central area (Kenai Peninsula), and there are plans for the exploitation of natural gas deposits in the strategic Fairbanks area.

There also are huge hydroelectric power resources waiting to be developed. They are estimated to equal to about two-fifths of the hydroelectrical potential of Continental United States. The most discussed project, the so-called Taiya Scheme, was proposed by Alcoa. It would drop water from the Yukon River across the coastal range of mountains and supply power to a huge aluminum plant near Skagway. The Harvey Aluminum Co. is interested in developing a site on the Copper River and three major cities on the Susitna are proposed to supply power for the rapidly growing industrial area based on Anchorage.

If Alaskan economic activities are to be diversified, the Territory's huge areas must be opened up by highway transportation and provided with public works. For this, however, territorial resources are too slender and the Federal government must continue to help. This realization is probably one reason why the visitor finds the agitation for statehood somewhat lukewarm. More liberal policies in respect to land ownership also are essential. Only about 2% of Alaska's vast territory is privately held; the rest is held by the Federal government either as national parks, forest or naval reserves, or in trusteeship for the natives. END

For Profit and Income

(*Continued from page* 85)

Two Buys

On the basis of earnings, an early increase — possibly before you read this—seems likely in the $1.80 dividend rate of Southern Natural Gas, possibly to $2, on which basis the yield at current price of 35½ would be over 5.6%. Considering yield and growth potentials, the stock is at least moderately under-valued at this level. The same appears so of Washington Water Power, an electric utility which promises continuing moderate-rate, but persistent, growth and which always distributes a high percentage of earnings in dividends. Chances appear good that the $1.80 rate will be boosted to $1.90 in November, on which basis the stock, now at 36, would yield around 5.3% gross return. Note the "gross." Last year, 83.1% of payments were tax-exempt, and it is indicated that around 75% or more of payments will remain tax-exempt through 1957. The after-tax yield is handsome and is not premium-priced since gross yield of 5.3% compares with a present average around 4.9% for electric utilities generally.

Standout

The stocks showing standout strength at this writing are too few to be worth mentioning, especially since they are mostly secondary issues which could be lower by the time you read these comments. At the same time, those showing conspicuous weakness are too numerous to list. A few of the more prominent ones are: Atchison, Carrier, Coca-Cola, Colgate, Goodrich, Penney, American Can, Texas Co., Radio, du Pont, Monsanto Chemical, Deere, Illinois Central, Philco, Kaiser Aluminum and Woolworth.

Stock Groups

Really alluring performance cannot be cited by any stock group at this writing, even though a number are holding up fairly well. Groups currently performing worse than the market include: aluminum, chemicals, oils, rails, metal fabricating, paper, soft drinks, movies and tires.

Boom

The shipbuilding stocks, all speculative, are well down from 1955 or 1956 highs, but are meeting informed support. Fact is that a boom in merchant shipbuilding is underway (THE MAGAZINE, September 1). In terms of tonnage, ships under construction or on order have more than doubled since the start of this year. Over 80% of the American-flag fleet is scheduled for replacement by 1965, with the Federal subsidy agreements with shipping lines now being put on a 20-year basis, against 10 years previously. The program calls for annual construction of ships at an average some five times 1955's low level. The Suez threat, projected growth of European oil consumption at a rate about double that in the U. S., and the simple arithmetic of ocean transportation costs assure much increased emphasis in nearby years on construction of oil super-tankers. Probably the best speculation is Newport News Shipbuilding, one of the largest and best-rounded concerns. Currently improving in market position, the stock is at 62 in a 1956 range of 68¾-50. Due to the time lag between orders and deliveries, 1956 profit will be somewhat under 1955's $6.03 a share, but potentials for 1957 and beyond look good. —END

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Mueller Brass Co.	Quar. Aug. 31	$1.01	$1.30
Western Union Telegraph	8 mos. Aug. 31	1.22	1.32
Coty, Inc.	Year June 30	.32	.50
Southern Pac. Trans. Sys.	8 mos. Aug. 31	4.23	4.90
Atch., Top. & Santa Fe	8 mos. Aug. 31	1.59	1.72
Continental Motors	9 mos. July 31	.21	.54
Emerson Radio & Phonograph	39 weeks July 28	.02	.81
Aldens, Inc.	6 mos. July 27	.28	.46
International Minerals & Chem.	Year June 30	2.14	2.55
Rohr Aircraft Corp.	Year July 31	3.49	3.63

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Louisville & Nashville R. R.	8 mos. Aug. 31	$6.98	$5.90
Texas Utilities Co.	3 mos. Aug. 31	.72	.60
Eagle-Picher Co.	Quar. Aug. 31	1.36	1.25
Magnavox Co.	Year June 30	3.54	2.88
Ohio Edison Co.	12 mos. Aug. 31	3.72	3.39
Eversharp, Inc.	6 mos. Aug. 31	1.23	1.05
Southern Co.	12 mos. Aug. 31	1.48	1.38
Southern Railway	8 mos. Aug. 31	3.57	3.42
Caterpillar Tractor	8 mos. Aug. 31	3.83	2.44

Sulphur Producers Prospects, Problems

(*Continued from page* 81)

standing. This final figure for the full year wiped out an 11-cent a share deficit for the first six months of 1955.

The earnings uptrend has carried over into 1956. Sulphur production for the first eight months totaled 360,000 tons, with the result that earnings for the 12 months ended August 31 reached $1,936,039. This was the equivalent of $1.01 a share for the first full year of sustained production and shipping. With production now running at about 2.000 tons a day, it is expected that for the 1956 *calendar year,* net income will be in the neighborhood of $2.5 million.

After paying the recently declared 25-cent initial dividend this coming November 19, to stock of record October 26. Pan American expects to end 1956 with retained earnings of about $2.3 million, or slightly in excess of $1 a share. It also is expected to have net working capital of approximately

(*Please turn to page* 110)

Forecast Stocks Show Independent Strength . . .

370% Gain on Boeing Airplane
233% Profit on General Dynamics

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On April 6, 1956 when the market reached its highest point this year, Boeing closed at $81\frac{3}{8}$—while General Dynamics closed at $61\frac{1}{8}$. Despite the sharp decline that has taken place since then, Boeing has appreciated $26\frac{7}{8}$ points—while General Dynamics has gained $10\frac{1}{2}$ points.

Boeing Airplane was recommended to subscribers at 46—prior to the 2-for-1 stock split in 1954 which marked our cost down to 23. On August 6, 1956, Boeing was split again, 2-for-1, reducing our cost to $11\frac{1}{2}$ for the new shares which are selling at $54\frac{1}{8}$—representing 370% enhancement. Cash dividends of $1.50 seem assured for a 13% yield on our original buying price.

Also, we recommended General Dynamics in April, 1954, at 43. It was then split 2-for-1, marking our cost down to $21\frac{1}{2}$. Now, the company has just proposed a 3-for-2 stock split. On this good news, General Dynamics has now reached $71\frac{5}{8}$—to show 233% gain from our original recommended price. The $2.20 dividend yields 10.2% on our cost.

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Sulphur Producers Prospects, Problems

(*Continued from page* 108)

$5.5 million. This will be after the expenditure of $2 million for new facilities which, when in full operation, will lift total annual capacity to close to a million tons of sulphur annually.

If this expectancy is realized by Pan American Sulphur, it is not difficult to go along with the forecast that the Mexican sulphur properties will be producing at the rate of about 1.5 million tons before the end of 1957, the greater portion of which will be offered for export inasmuch as Mexico's annual sulphur requirements at this time do not exceed 73,000 tons. Unquestionably, this production for export is almost certain to offer competition for the American producers. Evidence of this was seen almost a year ago when increased world supply in overseas markets forced a leading American sulphur producer to eliminate the premium at which it previously had been selling sulphur abroad, leveling its price to that which it commanded in the domestic market.

Despite the appearance of Mexican sulphur in world markets, Freeport Sulphur, in the first half of this year, provided definite evidence that it did better than hold its own against competition. For the six-month period, it showed net sales of better than $34.2 million, from which it realized net income of $6.7 million, or $2.71 a share, against 1955 first half-year net income of $5.8 million, equal to $2.45 a share.

Texas Gulf Sulphur's report for the first half of the current year was somewhat in contrast, gross revenue from sales dipping to $44.6 million from $48.7 million for the corresponding months of last year. After including royalties, interest and other income totaling $631,710 for the 1956 first half-year, up from $486,367 a year ago, net income for the six months to last June 30 amounted to $14.7 million, or fractionally better than $1.47 a share. This compares with last year's first six months' net income of $16.9 million, equal to $1.69 a share.

Because sulphur is an essential material, going into the manufacture of fertilizers, chemicals, pulp, iron and steel, paint and a long line of other products and in view of the growing industrialization of this country and others around the world, the outlook is for increasing consumption throughout the coming decade. —END

New Techniques Revolutionize Retailing

(*Continued from page* 64)

scattered exceptions, have proven highly profitable. But whether they build or rent, the stores are faced with staggering costs. Thus, if they rent they can expect the landlord will require higher rentals than might have been the case a few years ago, for the man who builds now must pay nearly three times as much as in the pre-World War II era. Nor does the landlord usually provide such items as lighting fixtures, finished floors, air-conditioning, escalators and elevators—all ascending in price.

Some insight to the kind of costs a store chain can incur is provided by Allied Stores Corp., largest in the field. That company is building a network of seven shopping centers at a cost of more than $237 million! Federated also has sought the wide open spaces at tremendous cost, but it is paying off handsomely. In the years since the end of World War II, Federated has achieved a great increase in its physical plant, raising total floor space (excluding parking facilities) to 10,669,000 square feet from 5,625,000 square feet. While space under roof was being doubled, parking facilities were being increased to 2.5 million square feet from a mere 65,000 square feet.

Across the Hudson River from teeming New York City there is rising the greatest of all shopping centers. Land that once produced potatoes and other vegetables is being readied for an onrush of patrons next year. In the obscure community of Paramus, N. J., in commuter-swollen Bergen County, there is rising a shopping center that is actually two shopping centers.

Allied Stores is building one that will have a Stern's department store among 100 other stores sprawling over 105 acres. There will be parking for 8.600 cars. Stern's will occupy a four-story, 315,000-square-foot structure. Less than a mile distant, R. H. Macy is erecting an L. Bamberger & Co. unit. There will be some 60 other stores in the 150-acre development, which will have parking for 11,000 cars. The Bamberger store will cover 340,000 square feet and the other units will be clustered about it.

When completed, this twin shopping center (it was to have been a joint venture, but Allied and Macy finally decided to go their own way) will embrace scores of "name" retailers, including Horn & Hardart, Food Fair, J. J. Newberry, A. S. Beck, Thom McAn, J. C. Penney, Fanny Farmer, Bond Stores, S. S. Kresge, Lerner and Walgreen.

There will be discount houses in the neighborhood, too. E. J. Korvette and Masters, Inc., two of the best known price-cutters extant, plan to move in.

Allied, Macy and dozens of other storekeeping kingpins are reconciled to the discounters, although there is widespread belief within the retail trade that large numbers of the hole-in-the-wall price-cutters are going to shutter their doors permanently. This new-born cockiness stems from a decision to meet the discounters on their own grounds—compete on price! Few, if any, merchandisers put their faith in manufacturers policing their products for rigid enforcement of Fair Trade laws. Aside from such companies as General Electric, Bissell (maker of carpet sweepers), Parker Pen and Revere Copper & Brass, the retailer is hard put to name another company that polices it line.

To meet the competition from the price-cutters, has entailed belt-tightening on the profit-margin front. The stores lost markup on more than a dozen different items last year, but nowhere was the pinch so great as in major appliances. It is here that the discount houses have proven the biggest headache.

In business where the profit margin may be less than 2% (Allied Associated Dry Goods, Gimbel Bros., Macy), fighting fire with fire can be a costly exercise. But it would be even more costly to sit back and watch the discounters take over the balance of the appliance business, after which they would go on to other lines. Indeed, many of the price-cutters already have, featuring

textiles, cosmetics and sporting goods.

Retailers, of course, must stress cost-cutting if they are to remain competitive with the price-cutters. This is no simple task amid the current wage-cost-price spiral. While retailers have been exempt from the Fair Labor Standards Act (Congress pushed the hourly wage minimum this year to $1 from 75 cents), they are going to have their hands full staying out from under. In any case, there is a labor shortage and stores will find it increasingly difficult to obtain competent personnel at less than the going wages.

Cost-cutting entails the most modern office equipment and billing machines; getting customers, wherever possible, to carry home their purchases, or exacting a charge for delivery; a pooled delivery service shared in by other stores, and a stepped-up system of self-service.

This last is of supreme importance. There is scarcely a store chain today that does not utilize self-service (or self-selection, as the trade prefers to call it) in some branches of the operation. The discount houses always have used it. The bulk of patrons today cares little for service or the cathedral-like atmosphere that many old-line stores featured. People, by and large, will yield both if they can buy the same factory-sealed radio for less in a fluorescent-lighted bargain shop down the block.

These then are the problems—and the opportunities—of the retail field. On balance, there is much reason for optimism. For one thing, department stores in every one of the 12 Federal Reserve districts have boosted volume in the first nine months of this year from the corresponding period of 1955. Sales, on the average, are running 4% ahead of a year ago.

Still, it must be emphasized that this is *dollar volume, not physical volume.* Television sets, typewriters, paint products, floor-covering and scores of other items have been mounting in price. Such price hikes make the sales gains reported by department stores highly deceptive. And it is most important to remember that the rise in retail prices this year has run (however slightly) behind the boost in the wholesale price level. All signs point to additional price rises in consumer goods, adding to the distorted picture provided by dollar-volume figures.

Rising volume is crucial, since it lowers the operating costs per dollar of sales. Obviously, many of the merchandiser's costs go on whether he does a brisk business or twiddles his thumbs—items such as rental, insurance, utilities and (to a large extent) personnel.

Profit margins rose nominally during the six months ended July 31—first half of the fiscal year for most retailers. Since profit margins are based on dollar volume, most stores have been able to hold their own, at the least. But there is ample cause for concern in an inflationary spiral that could foster consumer resistance while the cost of doing business rises. Any decline in dollar volume, however slight, would pinch.

Thus, while the retailers of America have come out on top in the post-war revolution, they must, like people in other fields of endeavor, contend with the all-too-familiar price and profits squeeze. END

(*In the next issue* THE MAGAZINE *will deal with the leading stores, company by company. This story should prove of inestimable aid to investors.*)

The Striking Contrasts In Today's Market

(*Continued from page* 60)

Speculation on margin has not figured significantly in market vulnerability since the 1929-1932 bear market. In August, brokers' loans were only 1.03% of the total market value of listed stocks, down from a 1955 average of 1.20% in reflection of the 70% requirement and of increased caution. This is frequently cited as precluding wide decline based on forced liquidation. So it does—but it does not preclude decline, possibly fairly wide, on voluntary selling if business activity and profits shrink much at any time, or if a majority of investors think (rightly or wrongly) that they will. Proving this point, brokers' loans at the 1946 market top were only 0.87% of total stock valuation, the ratio having been pared from a 1945 average of 1.5% by successive boosts in margin requirements.

This bull market has differed principally from past ones in its degree of selectivity and in its quality. There has been nothing like the 1928-1929 and the late 1945-early 1946 extremes in the relative behavior of the "cats and dogs"; and they have lagged even as compared with the 1936-1937 showing. Speculation has been

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(signed) ARTHUR G. GAINES
Business Manager

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Sworn to and subscribed before me this 27th day of September, 1956.

(*signed*) HILDA LANDESBERG
Notary Public, State of New York
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[SEAL]

(My commission expires March 30, 1958)

largely along special-situation lines, and about as selective as investment demand.

Compared with the past, there has been more emphasis on long-pull buying of investment-grade stocks, less on trying to "play the market." The role played by institutional funds — particularly pension trusts and mutual funds —is, of course, far bigger than in the past; and it is still increasing. On the whole, stocks are more strongly held than was so after past major market advances — which is to the good, although the fact remains that relatively moderate selling, combined with reduced demand, is capable of pulling the market down considerably, as partly demonstrated since August. There is more long-pull confidence than ever before in our time. It has resulted in market over-valuation, but correction thereof will not be the same thing as destruction of the misplaced "New Era" confidence of 1929. What we are banking on in long-pull thinking now is principally dynamic population growth and dynamic technological progress. Neither is imaginary.

The selectivity of the market through the first nine months of 1956 is emphasized by the special charts and table accompanying this analysis. They are self-explanatory and require little comment. Note that, in net percentage change since the end of 1955, variations among our weekly stock-group indexes ranged all the way from a gain of 35% by aluminum to a fall of 24% by agricultural equipment. Note the emphasis on "Blue Chips" in the chart movements by price groups. Among the 300 stocks in our composite index, the largest decline for the nine months was in those priced at or below 10, the next largest in those priced at 10⅛ to 20. On the other hand, the largest gain was in the price group above 80 and up to 90. There were above-average gains in all price groups above 40. The range above 40 to 90 contains many Blue Chips previously split. That above 90 contains the largest number of candidates for future splits.

Many Blue Chips reacted more from recent highs to the October 1 low than did the industrial average, in correction—whether complete remains to be seen—of over-valuation. Here are a few examples of approximate percentage fall: du Pont 21%, Goodrich 26%, Continental Can 20%, General Electric 17%, Johns-Manville 20%, Minneapolis-Honeywell 19%, Scott Paper 22%, Reynolds Metals 27%, National Lead 19% and Monsanto Chemical 29%.

At this time the industrial average has made up less than a third of the sell-off begun in August, utilities a little over a fourth; while the recovery for rails amounts to nearly two-fifths of the phase of retreat started from the best summer level (seen in July), but to little over a fourth of the total decline from the bull-market high of last May.

No change in our conservative, highly selective policy can be justified on the present perspective. —Monday, October 8.

As I See It!

(*Continued from page* 57)

pleased at the indication of further progress. However, much of the recent upsurge in European pro-unity sentiments are a reaction not only against Col. Nasser but also against our own policy in connection with the Suez Canal crisis. It is felt that our Secretary of State took strictly a fence-sitting position on the issue, trying desperately to please both sides and ending up antagonizing and disappointing our traditional European allies without making new friends in the Middle East.

Thus, what American help and coaxing could not achieve, may well come about as a result of American equivocalness, namely an awakening of Europe to its own collective strength. Politically and economically this would be a salutary development.

It now depends on our State Department to do all it can to cement relations so that this new bloc can stand on its feet in free collaboration with the U.S.A.

Answers to Inquiries

(*Continued from page* 91)

up to approximately $4.75 a share. Because of current expansion plans, dividends will probably be held to the present rate.

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